

LONDON BOROUGH OF SUTTON

STATEMENT OF ACCOUNTS

2022/23

Richard Simpson CPFA

Strategic Director - Resources



CONTENTS

1. Narrative Report 2022/23	6
2. Statement of Responsibilities	14
3. Auditor's Reports 2022/23	16
Auditor's Report on the Financial Statements	17
Auditor's Report on the Pension Fund Financial Statements	18
4. Core Financial Statements 2022/23	19
Comprehensive Income and Expenditure Statement	20
Movement in Reserves Statement	22
Balance Sheet	24
Cash Flow Statement	26
5. Notes to the Core Financial Statements	27
Note 1 Accounting Policies	28
Note 2 Accounting Standards issued but not yet adopted	37
Note 3 Critical Judgements in Applying Accounting Policies	38
Note 4 Assumptions made about the future and other major sources of estimation uncertainty	39
Note 5 Expenditure and Funding Analysis	41
Note 5a Note to the Expenditure and Funding Analysis	43
Note 5b Expenditure and Income Analysed by Nature	45
Note 6 Other operating expenditure	46
Note 7 Financing and investment income and expenditure	46
Note 8 Taxation and non-specific grant income	47
Note 9 Grant Income	48
Note 10 Adjustments between accounting basis and funding basis under regulations	53
Note 11 Transfers to / from Earmarked and Usable Reserves	58
Note 12 Unusable Reserves	62

Note 13 Property, Plant and Equipment (including Heritage Assets)	72
Note 13b Intangible Assets	85
Note 14 Investment Properties	86
Note 15 Assets Held for Sale	87
Note 16 Capital Expenditure and Capital Financing	88
Note 17 Financial Instruments	89
Note 18 Debtors	102
Note 19 Creditors	103
Note 20 Cash and cash equivalents	104
Note 21 Provisions	105
Note 22 Cash Flows from Operating Activities	107
Note 23 Cash Flows from Investing Activities	108
Note 24 Cash Flows from Financing Activities	108
Note 25 Officers Remuneration and Exit Packages	109
Note 26 Members Allowances	113
Note 27 Dedicated Schools Grant	114
Note 28 Better Care Fund (Pooled Budgets with South West London Clinical Commissioning Group)	115
Note 29 Related Parties	116
Note 30 External Audit Costs	118
Note 31 Defined Benefit Pension Scheme	119
Note 32 Leases	128
Note 33 Contingent Liabilities	129
Note 34 Events after the Balance Sheet date	129
6. Housing Revenue Account (HRA)	130
Housing Revenue Account (HRA) Income and Expenditure Statement	131
Statement of Movement on the Housing Revenue Account Balance	133
Notes to the Housing Revenue Account	134
HRA 1. Sutton Housing Partnership Limited (SHP)	134
HRA 2. Balance Carried Forward	134

HRA 3. Housing Stock	134
HRA 4. Stock Valuation	135
HRA 5. Major Repairs Reserve	135
HRA 6. Capital Financing	136
HRA 7. Capital Receipts	136
HRA 8. Revenue Contribution to Capital Outlay (RCCO)	137
HRA 9. Depreciation	137
HRA 10. Impairment	138
HRA 11. Contributions to and from the Pension Reserve	138
HRA 12. Rent and Service Charge Arrears	138
HRA 13. Provisions	139
7. Collection Fund	140
Collection Fund Income and Expenditure Account 2022/23	141
Notes to the Collection Fund	143
CF 1. General	143
CF 2. Council Tax	143
CF 3. Precepts and Demands	145
CF 4. Business Rates	145
8. Group Accounts	147
Group Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2023	148
Group Movement in Reserves Statement	150
Group Balance Sheet	152
Group Cash Flow Statement	154
Notes to the Group Accounts	155
G1. Introduction	155
G2. Accounting Policies	155
G3. Consolidation	155
G4. Analysis of Group Expenditure and Income by Nature	156

G5. Group Property, Plant and Equipment	157
G6. Group Debtors	161
G7. Group Creditors	162
G8. Cash and cash equivalents	163
G9. Group Usable Reserves	163
G10. Group Defined Benefit Pension Schemes	164
9. Pension Fund Accounts 2022/23	167
Sutton Pension Fund Account for the year ended 31 March 2023	168
Sutton Pension Fund Net Assets Statement for the year ended 31 March 2023	169
Notes to the Pension Fund	170
PF Note 1 - Description of the Fund	170
PF Note 2 - Basis of preparation	175
PF Note 3 - Summary of significant accounting policies	176
PF Note 4 - Critical judgements in applying accounting policies	178
PF Note 5 - Assumptions made about the future and other major sources of estimation uncertainty	179
PF Note 6 - Events after the reporting period end	180
PF Note 7 - Contributions receivable	180
PF Note 8 - Transfers in from other pension funds	181
PF Note 9 - Benefits payable	182
PF Note 10 - Payments to and on account of leavers	183
PF Note 11 - Management expenses	183
PF Note 11a - Investment management expenses	184
PF Note 11b - External audit costs	184
PF Note 12 - Investment income	185
PF Note 13 - Taxes on income	185
PF Note 14 - Investments	186
PF Note 14a - Analysis of Pooled Investment Vehicles	187
PF Note 14b - Reconciliation of movements in investments	188
PF Note 14c - Investments analysed by fund manager	190

PF Note 15 - Fair value – basis of valuation	191
PF Note 15a - Fair value hierarchy	194
PF Note 15b: Reconciliation of fair value measurements within Level 3	195
PF Note 16a - Classification of financial instruments	196
PF Note 16b - Net gains and losses on financial instruments	197
PF Note 17 - Nature and extent of risks arising from financial instruments	197
PF Note 18 - Funding arrangements	203
PF Note 19 - Actuarial present value of promised retirement benefits	205
PF Note 20 - Current assets	206
PF Note 21 - Current liabilities	206
PF Note 22 - Additional voluntary contributions	207
PF Note 23 - Related party transactions	207
PF Note 24 - Contingent liabilities and contingent assets	208
10. Annual Governance Statement 2022/23	209
11. Glossary of Terms	210

1. Narrative Report 2022/23

Local authorities in England are required under the Accounts and Audit Regulations 2015 and the CIPFA Code of Practice on Local Authority Accounting to include a Narrative Report with their published Statement of Accounts. The Narrative Report does not form part of the Accounts and so is not subject to the same inspection regime.



Narrative Report

1. Introduction

This report is a summary of the London Borough of Sutton's main objectives and strategies and the principal risks it currently faces. The report also provides information on how the Council has used its resources to achieve its desired outcomes in line with those objectives and strategies.

This report is intended to provide a fair, balanced and understandable guide to the most significant aspects of the Council's financial performance, year-end financial position and cash flow for the year to 31 March 2023, as well as providing information as to how the Council will develop over the medium term, especially as we begin post pandemic recovery against a backdrop of economic uncertainty.

2. About the Borough

The 2021 Census reported the Sutton population to be 209,639 residents and this is estimated to increase to 220,148 by 2043 (5.0% increase).

Sutton is home to a high proportion of older residents with 15.2% aged over 65 years, compared with 11.9% for London as a whole.

The Borough has a large proportion of one person households at 27.0% though slightly below the London average of 29.3%. 72.2% of Sutton residents were born in the UK (compared to 59.4% for London as a whole)

Sutton's population is 79.2% economically active as at December 2022 from the Annual Population Survey. The two highest occupation types in Sutton are professional occupations (29.6%) and associate professional and technical operations (16.7%). There were 10,025 active businesses as at January 2022 of which 93.1% were micro businesses with 9 or less employees. Over 21% of these businesses are in the construction industry and a further 16.1% are in professional, scientific and technical fields.

Sutton has relatively low levels of deprivation. 10.6% of Sutton [children are living in low income households](#) (compared to 16.0% across London, and 19.9% across England. 9.8% of residents are facing [fuel poverty](#) (compared to 11.5% across London and 13.2% across England). Approximately 3 individuals per 1,000 residents are dealing with homelessness or have a priority housing need. Sutton has a low crime rate compared to London and England, with the rolling crime rate between April 2022 and March 2023 being 64.6 per thousand persons. This compares to 96 for London and 84.2 nationally. Of this 16.5 crimes per 1,000 persons are antisocial behaviour, and 21.9 are violence and sexual offences. Sutton scores lower than the London average for these and all other types of crime.

For more information about the Borough visit data.sutton.gov.uk.

3. Organisational overview

Sutton Council's vision is to build a community in which all can take part and all can take pride. This vision encapsulates the community based approach and commitment to addressing quality of life issues and inclusiveness.

The Council's five core values reinforce the vision and provide the underlying context to the way in which the Council does its work. The values form the acronym PRIDE and show how the Council is committed to being; people focused, responsible, innovative, diverse and enterprising.

At the end of March 2023, Sutton Council had 1,246 staff. An additional 328 (as at 31.3.23) HR and Organisational development, IT and digital services and Shared Environment services are all employed by Kingston, with teams that provide services to Sutton.

Our overall workforce profile is positive - our representation of Multi-ethnic employees has increased compared to recent years from 26% to 30%. The percentage of women employees has remained constant in 2023 at 72% and higher paid women in the workforce stands at 59%. Our representation of LGBTQ+ employees has remained stable. Employees declaring they meet the Equality Act definition of disability has remained stable as has those classed as higher income earners at 5%. More information can be found in the [Equalities Workforce Report](#).

Narrative Report (continued)

4. Operational Model

The Council's Corporate Plan (Ambitious for Sutton) was refreshed in 2022. The plan sets out six priorities over the five years to 2027. These are: to take action on climate change; to be an inclusive place for everyone; to enable quality and affordable housing ; to have strong and fair economic growth; to campaign for quality local services; and to be an efficient and well run council.

The Council's services are grouped in to directorates - Health & WellBeing; Environment, Housing & Neighbourhoods; Development, Growth & Regeneration; People Services. These services are supported by the Chief Executive's (including electoral services) and Resources.

The Council's service performance is closely scrutinised at service committees using key performance indicators.

The Corporate Plan is supported by the Council's [Medium Term Financial Strategy](#) (MTFS) that sets out the financial outlook for the Council and the scale of the challenge we face, as well as financial principles that will shape our response to those challenges.

5. Outlook and Risks

The Council continues to face significant financial pressure. Although central Government funding has increased in recent years, it is still far lower in real terms than in 2010. Demand for Council services has continued to increase over the same period, particularly in social care services as we cope with an ageing population and higher numbers of Children requiring support.

Over the past twelve months there has been a significant uplift in inflation. The Consumer Price Index (CPI) peaked at just over 11% towards the end of 2022, and despite forecasts of a rapid decrease in the rate of CPI, it has remained stubbornly high at 8.7% in April 2023. A worrying development for the Council has been core inflation, that strips out food and energy costs, has not fallen at the same rate.

Inflation continues to place significant additional pressure on Council costs and continues to cause financial difficulty for Sutton residents.

The key corporate risks and mitigations the Council face are:

- A balanced budget has been set for 2023/24, but an estimated £14.9m budget gap remains in the forecast across the next 4 years
- Cost of Living and inflation pressures are significant and causing Council costs to rise, devaluing our investments, and causing financial strain for Sutton residents. As a consequence the Council is likely to need to provide higher levels of support to families in financial difficulty to mitigate the impacts. Inflation as at the end of April 2023 was 8.7% and although forecast to reduce, core inflation has not seen such a fall in recent months. The Medium Term Financial Plan to 2026/27 assumes a return to the government target inflation rate of 2%
- The Council budgeted for a 3.5% pay award in 2023/24, although pay negotiations continue.
- The Council has mitigation in place for inflation risks in 2023/24 through use of the budgeted energy costs contingency and corporate contingency, as well as use of earmarked reserves. This should be sufficient

Narrative Report (continued)

to mitigate the pressures as currently forecast. However, if inflation does not fall as expected, this will lead to in-year budget pressures. Financial risks are kept under review through regular budget monitoring, analysis and monitoring of key cost drivers.

- Demographic and other demand pressures, in particular from adult and children's social care, and also an increase in the numbers of people presenting as homeless. Mitigations include budget growth and the use of relevant data to track and evidence changes and ensure early warning to the organisation, as well as the use of London and national networks to articulate challenges and seek external solutions.
- Continuing increase in Education Health Care (EHC) plans beyond our financial means creates significant budget pressures in Dedicated Schools Grant (DSG) in a context of low general reserves. If this continues, there is the risk that the cost outstrips the High Needs Block Grant and reserve. There are also General Fund impacts on the provision of travel arrangements and therapies.
- There is an inherent risk in any savings programme that the changes required to deliver the savings do not have the impact expected or are delivered late. The risk of non delivery is impacted by the availability of

resources to deliver and the ability of the organisation to recognise risk early and implement mitigating actions to keep the overall savings programme on track.

The Council's Medium Term Financial Plan (MTFP) details the current position and anticipated future for the Council's finances, including demonstrating how Sutton is proactively responding to the current financial challenges using the principles set out in the MTFS. The latest version of the MTFP is published here: [Full Council](#).

6. Revenue Budget Performance

All Council services have faced major pressure with the high level of inflation throughout the year. This was greater than estimated at the time the 2022/23 budget was set and has particularly impacted upon pay, utilities and contracts. There has also been an increase in costs in social care linked to demand, complexity of need and inflationary pressures within the market.

These pressures have led to a net overspending on the General Fund of £0.370m, after the use of £2.000m from the inflation contingency. This overspend has been met from the General Fund, which takes the total General Fund reserve balance to £8.6m. This is equal to 5.3% of the 2023/24 Net Revenue Budget and remains above the 5% minimum approved as part of the Medium Term Financial Strategy (MTFS).

The breakdown of the revenue outturn position is presented on the following page.

Narrative Report (continued)

	Budget	Outturn	Variance	
	£000s	£000s	£000s	%
Public Health & Wellbeing	6,718	7,074	356	5.30%
Resources	22,386	22,756	370	1.65%
Chief Executive	434	449	15	3.46%
Environment, Housing & Neighbourhoods	35,093	36,558	1,465	4.17%
Development Growth & Regeneration	924	924	0	0.00%
Peoples	115,253	125,345	10,092	8.76%
Directorates Sub-total	180,808	193,106	12,299	6.80%
Contingency (including inflation contingency)	2,000	0	(2,000)	-100.00%
Release from Inflation Reserve	0	(2,000)	(2,000)	
Total Service Outturn 22/23	182,808	191,106	8,299	4.54%
Corporate Costs	(182,808)	(190,736)	(7,929)	4.34%
TOTAL NET EXPENDITURE	0	370	370	
DRAWDOWN FROM GENERAL FUND RESERVES		(370)	(370)	

Narrative Report (continued)

Public Health & Wellbeing

The Public Health & Wellbeing budget overspend of £0.356m is due to high utility costs across libraries, the inclusion centre and the life centre, caused by high inflation rates and the ongoing disruption to energy markets. This has affected all property running costs for the Council with the Assets budget reporting the overspend for the majority of Council buildings. The Medium Term Financial Plan assumes inflationary increases of approximately 16% for utility costs but this will be reviewed through budget setting for 2024/25.

There are small staffing underspends in the registration service and an underspend of £59k in the leisure services helping to offset these pressures. Sutton College reported a £128k surplus due to some additional grant monies being secured late in the year

Resources

Resources budgets overspent by £0.370m arising largely from staffing pressures and use of agency staff to cover vacancies in a number of areas as was forecast during the year.

Environment, Housing and Neighbourhoods

The EH&N directorate covers a wide range of services. The directorate overspent by £1.465m. The causes of the outturn overspend were staffing & agency costs as well as income falling, below target in the planning; building control services; a shortfall of income and high energy

costs in the parking service, and high cost of energy affecting street lighting spend in the Highways service. There are national shortages of qualified planners and building control officers surveyors causing many Councils to struggle to recruit in these areas, and as a result many like Sutton are needing to rely on more expensive temporary arrangements to cover statutory duties. The waste service reported an underspend as a result of a reduction in tonnages of disposal of domestic and food waste.

People Services

The People Directorate comprises the services providing social care for children and adults and education. The total £10.092m People's Directorate overspend is made up of £4.511m overspend in Children's Social Care (CSC), £0.516m overspend in Education, and £4.9m overspend in ASC.

The CSC variance is largely in line with forecasts made during the year (Q3 forecast was £3.68m) and comprises overspends on Children Looked After (CLA) placement costs (£3.89m), Leaving Care costs (£290k) and the impact of other pressures such as high utilities costs (£333k).

The Education service outturn is driven by a £540k overspend on SEN transport. The average cost of providing transport on new routes is 10-15% higher than the equivalent cost last year.

The Adult Social Care outturn was an overspend of £4.9m, which is largely due to increased demand and unit costs of care packages in both residential and domiciliary care.

Corporate Costs

The Corporate Costs budget, covers capital financing, government grants, contingencies and other non-service costs. This underspent by £7.929m, due to capital financing costs being significantly lower than forecast, along with a £0.922m underspend on concessionary fares, and contributions to the pension funds to cover past service deficits being lower than forecast. Government Section 31 grants were higher than budget, although there was a lower level of subsidy for housing benefit as claimants moved onto Universal Credit which led to an overspend in this area.

Narrative Report (continued)

7. Capital Expenditure

The final outturn for the General Fund programme was an underspend of £13.5m, of which £13.3m is due to slippage of budgets into 2024/25. The slippage has been attributed to a number of factors but the most common causes are the planning permission and procurement phases taking longer than planned. There were also some supply chain disruptions affecting ICT and some construction projects, and delays caused by the need to identify cost reductions or rescope schemes due to the current high costs of inflation particularly impacting construction works.

	Capital Budget 2022/23	Capital Outturn 2022/23	Variance	Slippage
	£000	£000	£000	£000
Resources	6,364	3,146	(3,219)	(3,286)
Development Growth and Regeneration	6,729	5,902	(827)	(827)
Environment Housing and Neighbourhoods	12,702	8,655	(4,047)	(4,117)
Health and Wellbeing	1,306	1,051	(255)	(225)
Peoples Services	11,683	6,544	(5,140)	(5,154)
Total	38,784	25,298	(13,488)	(13,609)

Narrative Report (continued)

8. Pensions Liability

The Council has net pension liabilities of £96m in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. In addition, the Council's pension fund has to be revalued every three years to set future contribution rates.

The Sutton Local Government Pension Fund actuarial valuation in 2022 reported a funding level of 101%. The Council has a deficit recovery plan in place to make additional contributions into the Pension Fund over the period to 2035, in line with the Funding Strategy Statement. Further information on the Pension Fund can be found in note 31 of the main accounts and in the Pension Fund Accounts.

9. Explanation of Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position as at 31 March 2023. It comprises core and supplementary statements as well as disclosure notes that provide additional information and explanation to the reader. Both the format and content of the financial statements are prescribed by CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which in turn is underpinned by International Financial Reporting Standards.

The Core Financial statements are listed below and are explained on the relevant page:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement

The other financial statements also include:

- Notes to the Accounts
- Collection Fund
- Housing Revenue Account
- Pension Fund Accounts
- Group Accounts

2. Statement of Responsibilities

This sets out the different responsibilities of the Council and the Strategic Director - Resources in terms of financial administration and accounting.



Statement of Responsibilities for the Statement of Accounts

The Responsibility of the Council

The Council is required to manage its affairs in a way that secures the economic, efficient and effective use of resources and safeguard its assets.

The Council also has to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs under S151 of the Local Government Act 1972. In this Council that officer is the Strategic Director - Resources

The Responsibilities of the Chief Finance Officer

The Strategic Director - Resources is responsible for the preparation of the Council's Statement of Accounts, which in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2023. The Strategic Director - Resources is also responsible for preparing the Pension Fund Accounts administered by the Council in accordance with the current Code of Practice.

In preparing this Statement of Accounts the Strategic Director - Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent, and;
- complied with the Code.

The Strategic Director - Resources has also:

- kept proper, up to date, accounting records, and;
- taken reasonable steps for the prevention and detection of fraud and other irregularities across the Council's service.

My signature below certifies that the accounts were prepared in accordance with the requirements of the Accounts and Audit Regulations 2015 and, except where specifically stated, in accordance with all recognised statutory requirements and codes of practice applicable to local authorities.

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council at 31 March 2023 and its income and expenditure for the year.



Richard Simpson
Strategic Director - Resources (S151 Officer)
5 July 2023

3. Auditor's Reports 2022/23

Auditor's Report on the Financial Statements

Auditor's Report on the Pension Fund Financial Statements



Auditor's Report on the Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF SUTTON

To be added following the completion of the audit by the Council's auditors: Grant Thornton LLP

Auditor's Report on the Pension Fund Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF SUTTON

To be added following the completion of the audit by the Pension Fund's auditors: Grant Thornton LLP

4. Core Financial Statements 2022/23



Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with the requirements of International Financial Reporting Standards (IFRS) as applied by the Code of Practice on Local Authority Accounting in 2022/23, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure
2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
£000	£000	£000		£000	£000	£000
30,152	(20,179)	9,973	Health and Wellbeing	27,297	(18,966)	8,331
62,259	(22,719)	39,540	Environment, Housing and Neighbourhoods	65,642	(23,669)	41,973
7,537	(6,474)	1,063	Development Growth and Regeneration	1,632	(368)	1,264
273,360	(143,876)	129,484	Peoples Services	303,175	(164,041)	139,134
107,464	(69,135)	38,329	Resources	105,675	(68,388)	37,287
804	(278)	526	Chief Executive (Electoral Services)	868	(16)	852
Housing Revenue Account						
26,908	(39,304)	(12,396)	- Main HRA Revenue Account	30,236	(41,149)	(10,913)
-	(15,121)	(15,121)	- Revaluation loss/(gain) - Dwellings		(17,632)	(17,632)
3,881	(143)	3,738	Non Service Revenue Accounts	3,584	(79)	3,505
512,365	(317,229)	195,136	Cost of services	538,109	(334,308)	203,801

Comprehensive Income and Expenditure Statement (continued)

Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
2021/22	2021/22	2021/22			2022/23	2022/23	2022/23
£000	£000	£000			£000	£000	£000
27,293	(7,215)	20,078	Other operating expenditure	6	4,304	(8,952)	(4,648)
21,908	(31,472)	(9,564)	Financing and investment income and expenditure	7	24,528	(13,934)	10,594
-	(230,685)	(230,685)	Taxation and non-specific grant income	8	-	(224,787)	(224,787)
561,566	(586,601)	(25,035)	(Surplus) or deficit on the provision of services		566,941	(581,981)	(15,040)
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services							
-	-	(20,687)	Net (surplus) / deficit arising on revaluation of Property, Plant and Equipment Assets	12a	-	-	(10,923)
-	-	(68,574)	Remeasurement of the net defined benefit liability on the pensions reserve	12c	-	-	(261,949)
		(89,261)	Other comprehensive income and expenditure				(272,872)
		(114,296)	Total comprehensive income and expenditure (surplus)/deficit				(287,912)

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Accounts Balance movements in the year following those adjustments.

	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves
	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2022/2023										
Balance at 31 March 2022	(8,961)	(44,457)	(53,418)	(10,772)	(39,492)	(12,224)	(14,864)	(130,770)	(157,724)	(288,494)
Movement during 2022/23:-										
Total Comprehensive Expenditure and Income	24,803	-	24,803	(39,843)				(15,040)	(272,872)	(287,912)
Adjustments between accounting basis and funding basis under regulations (Note 10)	(17,599)	-	(17,599)	36,322	(8,424)	(770)	(6,690)	2,839	(2,839)	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	7,204	-	7,204	(3,521)	(8,424)	(770)	(6,690)	(12,201)	(275,711)	(287,912)
Transfers to / (from) Earmarked Reserves (Note 11)	(6,832)	6,832	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year	372	6,832	7,204	(3,521)	(8,424)	(770)	(6,690)	(12,201)	(275,711)	(287,912)
Balance at 31 March 2023	(8,589)	(37,625)	(46,214)	(14,293)	(47,916)	(12,994)	(21,554)	(142,971)	(433,435)	(576,406)

Movement in Reserves Statement (continued)

2021/2022 Comparative	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves
	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021	(8,236)	(47,819)	(56,054)	(5,724)	(14,972)	(15,008)	(10,565)	(102,323)	(76,126)	(178,449)
Effect of restatement as per note 35	-	-	-	-	-	-	-	-	7,595	7,595
Effect of restatement as per note 1e									(3,344)	(3,344)
Revised Balance at 31 March 2021	(8,236)	(47,819)	(56,054)	(5,724)	(14,972)	(15,008)	(10,565)	(102,323)	(71,875)	(174,198)
Movement during 2021/22:-										
Total Comprehensive Expenditure and Income	6,729		6,729	(31,764)				(25,035)	(89,261)	(114,296)
Adjustments between accounting basis and funding basis under regulations (Note 10)	(4,211)		(4,211)	26,834	(24,520)	2,784	(4,299)	(3,412)	3,412	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	2,518	-	2,518	(4,930)	(24,520)	2,784	(4,299)	(28,447)	(85,849)	(114,296)
Transfers to / (from) Earmarked Reserves (Note 11)	(3,243)	3,361	118	(118)	-	-	-	-	-	-
(Increase) / Decrease in Year	(725)	3,361	2,636	(5,048)	(24,520)	2,784	(4,299)	(28,447)	(85,849)	(114,296)
Balance at 31 March 2022	(8,961)	(44,457)	(53,418)	(10,772)	(39,492)	(12,224)	(14,864)	(130,770)	(157,724)	(288,494)

Note: 2020/21 opening balance has been restated to correct the treatment of IAS19 pension prepayment

Balance Sheet

This sets out the financial position of the Council as at 31 March 2023 and consolidates the individual Balance Sheets of the General Fund, Housing Revenue Account and Collection Fund. It shows the value as at the year end date of the assets and liabilities recognised by the Council. The net assets of the council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

31 March 2022		Notes	31 March 2023
£'000			£'000
	Non-Current Assets		
835,732	Property, Plant and Equipment	13	874,893
3,735	Intangible Assets	13b	4,487
97,897	Investment Properties	14	103,531
10	Long Term Investments	17a	10
12,316	Long Term Debtors	17a	11,484
949,690	Total Non-Current Assets		994,405
	Current Assets		
61,546	Short Term Investments	17a	44,042
936	Assets Held for Sale	15	936
50,600	Investment Properties Held for Sale	14	43,700
10	Inventories		4
77,870	Debtors	18	75,690
5,467	Cash and Cash Equivalents	20	1,200
196,429	Total Current Assets		165,572

Balance Sheet (continued)

31 March 2022		Notes	31 March 2023
£'000			£'000
	Less Current Liabilities		
(9,187)	Short Term Borrowing	17a	(1,979)
(4,315)	Capital Grants Receipt in Advance		(9,220)
(56,716)	Creditors	19	(58,343)
(37,956)	Grants Received in Advance	19	(4,562)
(108,174)	Total Current Liabilities		(74,104)
	Less Non-Current Liabilities		
(7,471)	Provisions	21	(6,072)
(406,947)	Long Term Borrowings	17a	(406,947)
(335,033)	Liability Related to Defined Benefit Pension Scheme	31c	(96,448)
(749,451)	Total Non-Current Liabilities		(509,467)
288,494	Net Assets		576,406
(3,344)	2021 restated-adjustment to unusable reserves opening balance	12	
(154,380)	Total Unusable Reserves	12	(433,435)
(130,770)	Total Usable Reserves	11	(142,971)
(288,494)	Total Reserves		(576,406)

Cash Flow Statement

This statement shows the changes in cash and cash equivalents of the Council during the reporting period. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting the claim on future cash flows by providers of capital (i.e. borrowing) to the Council.

2021/22		2022/23	
£000		Notes	£000
25,035	Net surplus or (deficit) on the provision of services	-	15,040
51,158	Adjustment to the net surplus or deficit on the provision of services for non-cash movements	22	5,241
(19,344)	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	22	(19,003)
56,849	Net cash flows from operating activities		1,278
(29,886)	Net cash flows from investing activities	23	(439)
1,626	Net cash flows from financing activities	24	(5,106)
28,589	Net increase/(decrease) in cash and cash equivalents		(4,267)
Represented by:			
(23,122)	a Cash and cash equivalents at the beginning of the reporting period	20	5,467
5,467	b Cash and cash equivalents at the end of the reporting period	20	1,200
28,589	Net increase/(decrease) in cash and cash equivalents (b-a)		(4,267)

5. Notes to the Core Financial Statements



Note 1 Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 and these regulations require the Statements to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place not simply when cash payments are made or received. For example:

- Revenue from the sale of goods or services is recognised in accordance with the terms and conditions of the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as an expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

c) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable on notice of not more than 24 hours demand without material penalty. Cash equivalents are highly liquid investments that mature in no more than three days or less and that are readily convertible to known amounts of cash with low risk of change in value.

The Council has treated all cash invested in money market funds or call accounts at the Balance Sheet date as investments and not cash equivalents. This is because these funds are invested to achieve a return and not for cash flow purposes. The use of short dated instruments limits both counterparty risk and interest rate risk and reflects the current interest rate environment.

d) Material Items

When items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and

Expenditure Statement or in the notes to the accounts, depending how significant the items are to the authority's financial performance.

e) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by accounting practice or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

f) Charges to Revenue for Non-Current Assets and Minimum Revenue Provision

Service, support services and trading accounts are debited with the following amounts to record the cost of non-current assets that they use during the year:

- depreciation;
- revaluation and impairment losses where there are no accumulated gains in the Revaluation

Note 1 Accounting Policies (continued)

Reserve against which the losses can be written off, and;

- amortisation of intangible assets

The Council is not required to raise Council Tax to fund these costs. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis as determined by the Council in accordance with statutory guidance. Therefore depreciation, revaluation and impairment losses and amortisation are replaced by the contribution in the General Fund balance (Minimum Revenue Provision), by way of adjusting transactions in the Capital Adjustment Account through the Movement in Reserves Statement for the difference between the two. This Minimum Revenue Provision (MRP) represents the repayment of debt used to finance capital assets. The debt is to be repaid over a period that is commensurate with that over which the capital expenditure provides benefits to the Council. Assets funded by debt receive their first MRP charge once they are operational, and provision to repay debt is set aside over the asset's useful life on an annuity basis. No MRP is charged on Commercial Investment capital expenditure, as the Council has the ability to sell these properties to repay any outstanding debt. Further information can be found in the Council's Treasury Management Strategy, approved as part of the 2022/23 budget.

g) Council Tax and Business Rates

LBS, as a billing authority acts as an agent, collecting Council Tax (CT) and Business Rates (NNDR) on behalf of the major preceptors (including Government

for NNDR) and, as principals, collecting CT and NNDR for themselves. Billing Councils are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of CT and NNDR.

Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central Government share proportionately the risks and rewards the amount of CT and NNDR collected could be less or more than predicted.

CT and NNDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year and regulations determine the amount of CT and NNDR that must be included in the Council's General Fund. Therefore the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the year end balances of CT and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of the likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

h) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Costs are charged on an accruals basis to the respective service line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of the benefits or when the Council recognises costs for a restructuring.

Where termination benefits include the enhancement of pension benefits, regulations require the General Fund to be charged with the amount payable to the pension fund rather than the amount calculated under accounting standards. Adjustments are made through

Note 1 Accounting Policies (continued)

the Movement in Reserves Statement to transfer the accounting standards based entries to the Pension Reserve and replace these with the amount payable to the Pension Fund.

i) Post Employment Benefits

Employees of the Council are members of 3 separate pension schemes:

- the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE), and;
- the National Health Service Pension Scheme administered by NHS Pensions, and;
- the Local Government Pensions Scheme (LGPS), administered by the London Borough of Sutton.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees within the service of the Council, in accordance with the schemes' rules. However, the national arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet.

The People Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to teachers' pensions in the year

The Local Government Pension Scheme

The LGPS is accounted for as a defined benefits scheme:

- the liabilities of the London Borough of Sutton Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees;
- the discount rate is the annualised yield on the Merrill Lynch AA-rated corporate bond yield curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the employer's liability. Using this approach, the discount rate at 31 March 2023 was 4.75% per annum.
- the assets of London Borough of Sutton Pension Fund attributable to the Council are included in the Balance Sheet at bid value as required under IAS 19;
- the change in the net pension liability is analysed into 6 components:
 - current service cost - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
 - net interest on the net defined benefit liability (asset) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - remeasurement of the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Income and Expenditure.
 - contributions paid to the London Borough of Sutton Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative

Note 1 Accounting Policies (continued)

balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

j) Events After the Balance Sheet Date

Events after the Balance Sheet date are those both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events, and;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

k) Government Grants and Contributions

Government grants, third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are credited to the Comprehensive Income and Expenditure Statement once conditions attached to the grant or contribution about how or when they will be used have been satisfied.

Where conditions have not been satisfied these monies are held in the Balance Sheet as creditors because until conditions are met the Council may be required to return the grant. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Grants used to fund capital expenditure are posted to the Capital Adjustment Account. Grants not yet applied are posted to the Capital Grants Unapplied Reserve until they are used and then the amounts are transferred to the Capital Adjustment Account.

l) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where the Council has a legal or constructive obligation arising from a past event that will probably require settlement by a transfer of economic benefit or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged directly to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Contingent Liabilities and Assets

A contingent liability or asset arises where an event has taken place that gives the Council a possible obligation or asset. These cannot be reliably measured and will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. These are not recognised in the Balance Sheet, but are disclosed in a note to the accounts.

Note 1 Accounting Policies (continued)

m) Reserves

The Council has an agreed policy of maintaining a General Fund Reserve of at least 5% of net General Fund expenditure (excluding schools) in order to provide a minimum sound level of prudence.

The Council also sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Earmarked reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

Where expenditure has been incurred which is to be financed from an earmarked reserve, it is charged to the relevant service within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. An amount is then transferred from the earmarked reserve to the General Fund Balance via an entry in the Movement in Reserves Statement.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

n) Interests in Companies and other Entities

The Council has interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities. The Council has four subsidiaries:

- Sutton Housing Partnership Limited which is a community interest company wholly owned by the Council;
- Encompass LATC Ltd which is also wholly owned and providing a range of services within housing and social care;
- Cognus Limited which became 100% owned by the Council in June 2021 (previously 75% ownership). Cognus mainly provides educational services. and;
- Note, Opportunity Sutton Ltd, which was a wholly owned company that acted as parent to a number of subsidiary companies, was wound up on 31 March 2023 and it had consisted of:
 - Sutton Living Ltd
 - Sutton Living Design & Build Ltd
 - Sutton Decentralised Energy Network Ltd

Sutton Living Ltd and Sutton Decentralised Energy Network Ltd are now directly part of London Borough of Sutton's Group Accounts and this also includes Sutton Living Design & Build Ltd which remains a subsidiary of Sutton Living Ltd. All subsidiaries listed above are consolidated into the Council's Group Accounts.

o) Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties, and some of its financial instruments as fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly

transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Council used valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- ▶ Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- ▶ Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- ▶ Level 3 - unobservable inputs for the asset or liability

Note 1 Accounting Policies (continued)

p) Investment Properties

Investment properties are held solely to earn rentals or for capital appreciation, or both, and measured initially at cost and subsequently at fair value. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. However, regulations do not permit unrealised gains and losses to impact the General Fund balance. Therefore, gains and losses are reversed via the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rental income received in relation to investment properties is credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement and results in a gain for the General Fund balance.

q) Heritage Assets

Heritage assets are not reported as a distinct class of asset within Property, Plant and Equipment as assets are either operational assets and included within land and buildings on the Balance Sheet or the values of other tangible assets.

Further details of Heritage Assets are disclosed in Note 13 to the core financial statements.

r) Property, Plant and Equipment

Property, Plant and Equipment are assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price, and;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- surplus assets - current value measurement base is fair value, determined by the measurement of the highest and best use value of the asset, and;
- Other land and buildings - current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Note 1 Accounting Policies (continued)

Assets included in the Balance Sheet at current value are revalued regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every 5 years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains), and;
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the comprehensive income and expenditure statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the comprehensive income and expenditure statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain

community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- council dwellings – depreciation is charged on a componentisation basis;
- other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – depreciated on a straight-line basis over the life of the asset as advised by a suitably qualified officer, and;
- infrastructure – gross book value is depreciated at 6% per annum.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is

Note 1 Accounting Policies (continued)

posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Infrastructure assets are held with no prospect of selling or using for any purpose other than that for which it was created. Where a component of an infrastructure asset is replaced, the council has determined, in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022, that the

carrying amounts to be derecognised for infrastructure assets where there is replacement expenditure is nil.

Amounts received for a disposal in excess of £10k are categorised as capital receipts and credited to the Capital Receipts Reserve. Receipts relating to the disposal of council dwellings, net of statutory deductions and allowances are retained. The 1-4-1 element of Right to Buy receipts is spent on the provision of social housing. The Local Authority share and allowable debt elements can be used as general receipts as part of general resources. Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

s) Schools

In line with accounting standards and the Code on group accounts and consolidation, all maintained schools in the Borough are considered to be under the control of the Council. Consequently, the income, expenditure, current assets, current liabilities, reserves and cash flows of each school are accounted for in the Council's single entity accounts. The Council has the following types of maintained schools under its control:

- Community,
- Voluntary Aided,
- Foundation.

School Non-Current Assets are recognised on the Balance Sheet where the Council directly owns the assets and where the Council holds the balance of control of the assets. Community schools are owned by the Council and are, therefore, recognised on the Balance Sheet.

Non-current assets for Voluntary Aided and Foundation schools are not directly owned by the Council and are not considered to be controlled by the Council as no formal rights to use the assets through a licence arrangement are passed to the School or Governing Bodies. As a result, these schools are not recognised on the Balance Sheet.

Non current assets for academy schools are derecognised from the Balance Sheet in the year of conversion.

t) Revenue Expenditure Funded from Capital Under Statute

Expenditure defined under legislation may be capitalised even though it does not result in the creation of a non-current asset for the Council, and is charged to services within the Comprehensive Income and Expenditure Statement. Where these costs are met from existing capital resources or by borrowing, this expenditure is transferred out of the General Fund Balance via the Movement in Reserves Statement to the Capital Adjustment Account so that there is no impact on the level of Council Tax.

Note 1 Accounting Policies (continued)

u) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. The Council does not hold any finance leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Operating Leases

The Council as Lessee

Rental income paid under operating leases is charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

The Council as Lessor

The Council grants leases on its investment properties. Please see the Investment Property policy for details of treatment.

v) Financial Instruments

Financial instruments are recognised in the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

Financial Liabilities

Financial liabilities recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest).

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial Assets

Financial assets are classified based on an approach that reflects the business model for holding the financial assets and their cash flow characteristics. They are classified into one of three categories:

- Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement;

- Fair Value Through Other Comprehensive Income (FVOCI) - These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of;
- Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.

Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

w) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. On the majority of Council functions VAT is recoverable in full. VAT receivable is excluded from income.

x) Grant Funding Joint Arrangements

The Council receives Better Care Fund (BCF) grant funding which it distributes with the South West London Clinical Commissioning Group (CCG) under a joint arrangement. See Note 28 for further details.

Note 2 Accounting Standards issued but not yet adopted

The council is required to disclose information setting out the impact of an accounting standard that has been issued but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the code).

As at the Balances sheet date, the following new accounting standard and amendments had not yet been adopted by the code:

IFRS16 - Leases removes the existing classifications of operating and finance leases under IAS 17 (Leases for lessees). It will require local authorities that are leases to recognise most leases on their balance sheets as a right-of-use asset, with corresponding lease liabilities. CIPFA-LASSAC have deferred implementation of this standard until 1 April 2024.

Work is ongoing at present, there is not sufficient information to make a reliable estimate of how this will impact the financial statements.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements that are likely to have a material impact on these Accounts are set out below:

Recognition of Schools - the judgement that the Council does not have substantive rights to Voluntary Aided and Foundation school land and buildings results in these fixed assets not being included in the Balance sheet amounts, as per the accounting policy set out in Note 1 (s). This judgement is based on the control of the school Land and Building by the entities that own them. There are 10 Voluntary Aided and 8 Foundations schools excluded, and it is not possible to provide the valuation of these schools. However, the 4 community schools recognised in the Council's accounts have a cumulative value of £53.433m at 31 March 2023, and so the value of these 18 excluded schools is likely to be material.

Classification of Property - Investment Properties have been assessed using the identifiable criteria under International Accounting standards, and are being held for rental income or for capital appreciation purposes. A judgement has been made to value the St Nicholas Centre as a Property, Plant & Equipment asset rather than Investment Property asset under IAS16, as the reason for the acquisition of this site does not match the above criteria of Investment Property. It was instead acquired for regeneration purposes, and puts the Council in full control of a key strategic Town Centre asset. It is not possible to disclose the financial impact of this judgement, as a value for the site as an Investment Property has not been produced. The asset is valued at £29.296m at 31.3.2023.

Agent / Principal Analysis - a judgement has been made as to whether the Council had control over various funding streams provided by Central Government (Principal) or whether it was acting as an intermediary only (Agent). In recent years this has been mainly related to Covid-19 Support Grants, but this has been reduced in 2022/23 to £0.1m. The Council Tax Energy Rebates scheme has been determined as Agency for 2022/23. These judgements were based on the grant determinations set by Central Government, and the conditions attached to the grant. Where the Council was directed to pay individuals and businesses specific sums where pre-specified criteria were met, the expenditure and income has been classified as "Agent". Where the Council had discretion and choice around eligibility and amounts, the activity has been recognised in these accounts as "Principal". Agent Income and Expenditure excluded from the 2022/23 accounts totals £9.440m. Further information about this is provided In Note 9 (Grant Income).

Note 4 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot always be determined with certainty, it is possible that actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>The Council's accounting policy is to depreciate assets on their brought forward values at the 1 April and any effects of in-year revaluations are not taken into account until the year following the revaluation.</p> <p>Revaluations of property, plant and equipment are estimations of asset values using comparable recent market transactions, depreciated replacement costs, indices, and data from third parties such as Land Registry and Valuation Office Agency.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>If significant revaluation increases or impairments were experienced there is a risk that the charge for depreciation to reflect the economic consumption of the asset may be over or under stated.</p> <p>The effect of any over or under estimation on the revaluation of property, plant and equipment cannot be quantified until an asset is disposed of.</p> <p>A reduction of 1% in the value of PPE at 31.3.2023 (£874.893m) would reduce the balance sheet value by £8.749m.</p>

Note 4 Assumptions made about the future and other major sources of estimation uncertainty (continued)

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair Value of Investment Property	The Investment Properties are measured at fair value, using income or market approach valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, unobservable inputs, which require judgement, are used to establish fair values. The significant unobservable inputs used in the fair value measurement include assumptions regarding passing rents and yields, estimated sale values, revenue streams and discount rates.	Significant changes in any of the observable inputs would result in a significantly lower or higher fair value measurement for the investment properties. A 1% reduction in fair value of investment property at 31.3.2023 (£147.231m) would equate to £1.472, although this would not result in a charge to the general fund under local authority accounting practices.
Pension Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>There is further uncertainty arising from a Court of Appeal judgement that found the transitional protections introduced to the judicial and firefighters' scheme in 2015 discriminated on grounds of age. This ruling had implications for all public sector schemes that used transitional protections, including the LGPS in England and Wales. The regulation changes required to remedy this is expected to come into force on 1 October 2023.</p>	<p>The sensitivity of the net Pension Fund liability (£96.448m at 31.3.2023) to a change in assumptions can be measured. For example a 0.1% increase in the discount rate assumption would result in an approximate reduction of £10.6m in the Council's pension liability; a one year increase in member life expectancy would increase the liability by approximately £27.5m and a 0.1% increase in the rate of salary increase would increase the liability by approximately £0.7m.</p> <p>An allowance has been included for the expected benefit change as a result of the McCloud remedy at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities in their letter dated March 2022.</p>

Note 5 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Government grants, rents, Council Tax and Business Rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2022/23	As reported for resource management	Adjustment to arrive at net amount chargeable to GF and HRA	Net Expenditure chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Health and Wellbeing	7,074	(2,298)	4,776	3,555	8,331
Environment, Housing and Neighbourhoods	36,558	(4,736)	31,822	10,151	41,973
Development Growth and Regeneration	924	57	981	283	1,264
Peoples Services	125,345	1,971	127,316	11,818	139,134
Resources	23,935	8,472	32,407	4,880	37,287
Chief Executive(Electoral Services)	450	352	802	50	852
Housing Revenue Account	-	(10,923)	(10,923)	(17,622)	(28,545)
Non Service Revenue Accounts	(194,286)	197,144	2,858	647	3,505
Net cost of services	-	190,039	190,039	13,762	203,801
Other Operating Expenditure	-	868	868	(5,516)	(4,648)
Financing and Investment income	-	4,718	4,718	5,875	10,593
Taxation and Special Grants	-	(191,943)	(191,943)	(32,843)	(224,786)
(Surplus) or Deficit	-	3,682	3,682	(18,722)	(15,040)
Opening General Fund and HRA Balance			(64,190)		
Add (Surplus) or Deficit on General Fund and HRA Balance in Year			3,682		
Closing General Fund and HRA Balance at 31 March			(60,508)		

Note 5 Expenditure and Funding Analysis (continued)

2021/22 Comparative	As reported for resource management	Adjustment to arrive at net amount chargeable to GF and HRA	Net Expenditure chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000
Health and Wellbeing	7,868	(1,884)	5,984	3,989	9,973
Environment, Housing and Neighbourhoods	33,812	(5,077)	28,735	10,805	39,540
Development Growth and Regeneration	822	64	886	177	1,063
Peoples Services	110,593	(625)	109,968	19,516	129,484
Resources	22,839	4,643	27,482	10,847	38,329
Chief Executive(Electoral Services)	457	-	457	69	526
Housing Revenue Account	-	(12,499)	(12,499)	(15,018)	(27,517)
Non Service Revenue Accounts	(177,111)	185,894	8,783	(5,045)	3,738
Net cost of services	(720)	170,516	169,796	25,340	195,136
Other Operating Expenditure	-	876	876	19,202	20,078
Financing and Investment income	-	7,341	7,341	(16,905)	(9,564)
Taxation and Special Grants	-	(180,425)	(180,425)	(50,260)	(230,685)
					-
(Surplus) or Deficit	(720)	(1,692)	(2,412)	(22,623)	(25,035)
Opening General Fund and HRA Balance			(61,778)		
Add (Surplus) or Deficit on General Fund and HRA Balance in Year			(2,412)		
Closing General Fund and HRA Balance at 31 March			(64,190)		

Note 5a Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts.

Transfer of corporate funding from Net Cost of Services to correct CIES segment	Net transfers from reserves and balances	Total to arrive at amount charged to GF and HRA	2022/23	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments between Funding and Accounting Basis
£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	(2,298)	(2,298)	Health and Wellbeing	2,056	1,422	77	3,555
-	(4,736)	(4,736)	Environment, Housing and Neighbourhoods	9,377	735	39	10,151
-	57	57	Development Growth and Regeneration	156	135	(7)	284
-	1,971	1,971	Peoples Services	6,657	8,109	(2,948)	11,818
-	9,241	9,241	Resources	5,153	2,953	(3,226)	4,880
-	352	352	Chief Executive(Electoral Services)	-	50	-	50
-	(10,923)	(10,923)	Housing Revenue Account	(17,707)	85	-	(17,622)
194,285	2,859	197,144	Non Service Revenue Accounts	-	646	-	646
194,285	(3,477)	190,808	Net cost of services	5,692	14,135	(6,065)	13,762
-	868	868	Other Operating Expenditure	(5,516)	-	-	(5,516)
-	3,949	3,949	Financing and Investment income	(3,354)	9,229	-	5,875
(194,285)	2,342	(191,943)	Taxation and Special Grants	(30,335)	-	(2,509)	(32,844)
Statement of Movement on General Fund Balances							
-	3,682	3,682	Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(33,513)	23,364	(8,574)	(18,723)

Note 5a Note to the Expenditure and Funding Analysis (continued)
Adjustments between Funding and Accounting Basis

Transfer of corporate funding from Net Cost of Services to correct CIES segment	Net transfers from reserves and balances	Total to arrive at amount charged to GF and HRA	2021/22 Comparative	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments between Funding and Accounting Basis
£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	(1,884)	(1,884)	Health and Wellbeing	2,167	1,867	(45)	3,989
-	(5,077)	(5,077)	Environment, Housing and Neighbourhoods	9,974	894	(63)	10,805
-	64	64	Development Growth and Regeneration	-	159	18	177
-	(625)	(625)	Peoples Services	4,705	11,559	3,252	19,516
-	4,643	4,643	Resources	7,104	3,805	(62)	10,847
-	-	-	Chief Executive(Electoral Services)	-	69	-	69
-	(12,499)	(12,499)	Housing Revenue Account	(15,121)	103	-	(15,018)
177,111	8,783	185,894	Non Service Revenue Accounts	(4)	(5,041)	-	(5,045)
177,111	(6,595)	170,516	Net cost of services	8,825	13,415	3,100	25,340
-	875	875	Other Operating Expenditure	19,202	-	-	19,202
-	7,342	7,342	Financing and Investment income	(24,641)	7,736	-	(16,905)
(177,111)	(3,314)	(180,425)	Taxation and Special Grants	(41,275)	-	(8,985)	(50,260)
Statement of Movement on General Fund Balances							
-	(1,692)	(1,692)	Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(37,889)	21,151	(5,885)	(22,623)

Note 5b Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

2021/22		2022/23
£000		£000
Expenditure		
159,728	Employee expenses	175,480
325,898	Other operating expenses	336,967
27,209	Depreciation, amortisation and impairment	25,434
723	Payments to Housing Capital Receipts Pool	-
19,631	Interest payments	24,450
1,904	Loss on FV revaluation of Financial Instruments	-
875	Precept and Levies	868
25,598	Loss on disposal of non-current assets	3,351
561,566	Total expenditure	566,550
Income		
(83,055)	Fees and charges and other service income	(98,734)
(6,662)	Interest and investment income	(12,983)
(41,203)	Gain on disposal of non-current assets and revaluation	(21,806)
(7,215)	Capital Receipts	(9,027)
(124,695)	Income from Council Tax and Business Rates	(128,704)
(323,771)	Government grants and contributions	(310,336)
(586,601)	Total income	(581,590)
(25,035)	(Surplus) or Deficit on Provision of Services	(15,040)

Note 6 Other operating expenditure

2021/22		2022/23
£'000		£'000
875	Levies paid to Other Local and Public Authorities	868
723	Payment to the Government Housing Capital Receipts Pool	-
18,480	Net Losses/(Profit) on the disposal of non-current assets	(5,516)
20,078	TOTAL	(4,648)

Note 7 Financing and investment income and expenditure

2021/22		2022/23
£'000		£'000
11,959	Interest payable and similar charges	11,856
7,736	Net interest on the net defined benefit pension scheme liability	9,229
(599)	Interest receivable and similar income	(2,428)
1,904	Financial Instruments - change in Fair Value	(2,248)
(6,188)	Income in relation to investment properties	(7,083)
309	Expenditure in relation to investment properties	2
(24,685)	Changes in the Fair Value of investment properties	1,266
(9,564)	TOTAL	10,594

Note 8 Taxation and non-specific grant income

This note consolidates all non-specific grants and contributions receivable that cannot be identified to particular service expenditure and therefore cannot be credited to the gross income amount relevant to the service area. All capital grants and contributions are credited to non-specific grant income even if service specific. The note also identifies the Council's proportion of Council Tax and Business Rates used to fund in year service activities

2021/22		2022/23
£'000		£'000
(110,350)	Council Tax Income	(112,748)
(33,994)	Business Rates Retention Scheme	(34,805)
463	Business Rates Retention Scheme Pool	(337)
(34,659)	Non ringfenced government grants	(45,031)
(264)	Renewable energy Schemes retained by the authority	(264)
(10,606)	COVID-19 Grants	(1,267)
(41,275)	Capital grants and contributions	(30,335)
(230,685)	Total Credited to Taxation and Non-Specific Grant Income	(224,787)

Note 9 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23

2021/22	Grants Credited to Taxation and Non-Specific Grant Income	2022/23
£'000	Non ringfenced government grants:	£'000
(6,754)	Revenue Support Grant	(6,964)
(3,139)	Section 31 Business Rate Grant	(6,159)
(777)	Housing Benefit and Council Tax Admin Grant	(582)
(1,662)	New Homes Bonus	(100)
(13,662)	Better care Fund	(15,009)
(4,055)	Social Care Support grant	(5,764)
(3,947)	Improved Better Care Fund Grant	(4,067)
-	Homes for Ukraine	(2,784)
-	Services Grant	(2,511)
(10,606)	COVID-19 funding / reliefs	(1,267)
(663)	Other	(1,091)
(45,265)	Total	(46,298)

Note 9 Grant Income (continued)

2021/22	Capital Grants and Contributions:	2022/23
£'000		£'000
(17,899)	Education Grants	(7,217)
(294)	Mayors Grant (GLA)	(952)
(3,063)	Section 106 Contributions	(1,624)
(5)	Heritage Lottery Fund	-
(5,141)	GLA - Strategic Investment Pot	(1,331)
(4,031)	DLUHC Future High Street Fund	(4,887)
(2,654)	GLA/BEIS Leap Funding	-
(2,876)	GLA Housing New Build	(12,232)
(1,800)	DLUHC Decarbonisation Fund Retrofit	-
(420)	GLA Dilapidation Fund	-
(895)	Insurance Contribution	-
(389)	Other Capital Grants and Contributions	(220)
(39,467)	Total	(28,463)

Note 9 Grant Income (continued)

2021/22	Revenue Grants Credited to Services	2022/23
£'000		£'000
(107,525)	Dedicated Schools Grant	(112,862)
(4,996)	Education & Skills Funding Agency funding	(6,472)
(82)	Teachers Pay Grant	(55)
(219)	Teachers Pension Grant	(226)
(10,219)	Public Health Grant	(10,476)
(10,005)	Housing Benefit Rebate Subsidy	(9,646)
(5,260)	Housing Benefit Rebate Subsidy - outside HRA	(5,345)
(31,346)	Housing Benefit Allowances	(29,467)
(486)	Discretionary Housing Payments	(339)
(2,718)	Pupil Premium (schools)	(2,896)
(2,481)	Asylum Seekers	(2,418)
(521)	Troubled Families Grant	(684)
(1,138)	Universal Infants Free School Meals	(1,069)
-	Homes for Ukraine	(1,053)
(2,025)	Homelessness Prevention Grant	(1,964)
	Winter Pressures Grant	(614)
(12,560)	COVID-19 funding	(3,011)
(498)	Data Accelerator Programme	(498)
(529)	Holidays Activity and Food Programme	(615)
-	School Supplementary Grant	(1,478)
(3,903)	Other	(4,634)
(196,511)	Total Revenue Grants included in Cost of Services	(195,822)

Note 9 Grant Income (continued)

2021/22	REFCUS Grants included in Cost of Services	2022/23
£'000		£'000
(1,808)	Disabled Facilities	(1,872)
-	GLA/BEIS Leap Funding	(310)
-	GLA Strategic Investment Pot	(147)
(1,808)	Total REFCUS Grants included in Cost of Services	(2,329)

Agency Transactions

The Council received a range of grants from the Central Government in 2022/23 to continue providing support to residents and businesses due to the ongoing impact of the COVID 19 pandemic, and also the steep rise in energy costs.

When presenting information on grant income and expenditure, the Council had to determine whether in administering the grant it was acting as an agent or principal.

The following conditions apply where the Council was acting as an agent:

- It was acting as an intermediary between the recipient and the Government department.
- It did not have "control of the grant conditions and there was no flexibility in determining the level of grant payable.

Where the Council acted as a principal it was at its own discretion when allocating the amount of grant payable.

The tables below sets out the summary of agency related grant receipts, amounts to return to Central Government, and corresponding expenditure. It should be noted that in many circumstances, the allocation of grant was an estimate, and could not be deployed by the Council under the conditions the funding was subject to. Unspent funds are held as creditors that will be returned to Central Government during 2023/24.

Note 9 Grant Income (continued)

Agency Grants - 2022/23	Grant Allocation	The Council acting as Agent	The Council acting as Principal	Amount of Agent Grant held as Grants - Receipts In Advance	Expenditure as at 31 March 2023
	£'000	£'000	£'000	£'000	£'000
Council Tax Energy Rebates	9,440	9,440	-	63	9,376
Infection Control, Rapid Testing and Vaccine combined funding	103	103	-	0	103
	9,543	9,543	-	63	9,480

Agency Grants - 2021/22 Comparative	Grant Allocation	The Council acting as Agent	The Council acting as Principal	Amount of Agent Grant held as Grants - Receipts In Advance	Expenditure as at 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Expanded Retail, Hospitality & Leisure Reliefs	13,916	9,741	4,175	10996	2,920
Closed Business Lockdown Payments	4,920	4,920	-	4678	242
Local Restrictions Support Grant - National Restrictions	7,779	7,779	-	7389	390
Infection Control, Rapid Testing and Vaccine combined funding	3,750	3,750	-	-	3,750
Self Isolation Payments - grants to eligible individuals	119	119	-	-	119
Omicron Variant - Hospitality and Leisure Grant Business Reliefs	591	591	-	-	591
Restart Grant	6,978	6,978	-	1,727	5,251
	38,053	33,878	4,175	24,790	13,263

Note 10 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. Set out below are descriptions of the reserves that the adjustments are made against.

General Fund Balance

The General Fund balance is a statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice.

The General Fund balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

Housing Revenue Account Balance

The Housing Revenue Account balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains a balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Note 10 Adjustments between accounting basis and funding basis under regulations (continued)

2022/23	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
ADJUSTMENTS TO THE REVENUE RESOURCES						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 31)	(35,700)	(222)	-	-	-	35,922
Pensions costs (transferred to (or from) the Pensions Reserve)	16,257	79	-	-	-	(16,336)
Sub Total for Pensions Reserve	(19,443)	(143)	-	-	-	19,586
Financial instruments (transferred to the Financial Instruments Adjustments Account)	72	-	-	-	-	(72)
Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	2,509					(2,509)
Holiday pay (transferred to the Accumulated Absences Reserve)	2,746		-	-	-	(2,746)
Charges for depreciation and impairment of non-current assets	(12,485)	(8,514)	-	-	-	20,999
Revaluation loss/(gain) on Property Plant and Equipment	(233)	17,632	-	-	-	(17,399)
Movements in the market value of Investment Properties	(1,266)	-	-	-	-	1,266
Amortisation of intangible assets	(1,971)	-	-	-	-	1,971
Revenue expenditure funded from capital under statute	(9,167)	-	-	-	-	9,167
Financial Instruments Revaluation Reserve	2,247	-	-	-	-	(2,247)
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	(36,991)	8,975	-	-	-	28,016
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES						
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	(3,351)	-	-	-	3,351

Note 10 Adjustments between accounting basis and funding basis under regulations (continued)

2022/23 (continued)	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	564	8,463	-	-	(9,027)	-
Transfer of deferred sale proceeds as part of the gains/ losses on disposal to the CIES	-	-	-	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account	2,300	-	-	-	-	(2,300)
Capital expenditure financed from revenue balances (charged to HRA)	-	-	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	-	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-	-	-	-	-	-
Payment towards administrative costs of non-current assets disposal (funded by a transfer from the Capital Receipts Reserve)	(86)	-	-	-	86	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	8,514	-	(8,514)	-	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	13,845	13,721	(27,566)	-	-	-
Capital Grants and contributions applied	2,769	-	-	-	-	(2,769)
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	19,392	27,347	(27,566)	(8,514)	(8,941)	(1,718)
ADJUSTMENTS TO CAPITAL RESOURCES						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	2,251	(2,251)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	7,744	-	(7,744)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	19,142	-	-	(19,142)
Cash payment in relation to deferred capital receipts	-	-	-	-	-	-
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	-	-	19,142	7,744	2,251	(29,137)
Total Adjustments	(17,599)	36,322	(8,424)	(770)	(6,690)	(2,839)

Note 10 Adjustments between accounting basis and funding basis under regulations (continued)

2021/22 Comparative	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
ADJUSTMENTS TO THE REVENUE RESOURCES						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 31)	(38,573)	(224)	-	-	-	38,797
Pensions costs (transferred to (or from) the Pensions Reserve)	17,568	77	-	-	-	(17,645)
Sub Total for Pensions Reserve	(21,005)	(147)	-	-	-	21,152
Financial instruments (transferred to the Financial Instruments Adjustments Account)	94		-	-	-	(94)
Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	8,985		-	-	-	(8,985)
Holiday pay (transferred to the Accumulated Absences Reserve)	(3,100)		-	-	-	3,100
Charges for depreciation and impairment of non-current assets	(12,396)	(7,076)	-	-	-	19,472
Revaluation loss/(gain) on Property Plant and Equipment	(4,313)	15,121	-	-	-	(10,808)
Movements in the market value of Investment Properties	24,685		-	-	-	(24,685)
Amortisation of intangible assets	(2,028)		-	-	-	2,028
Revenue expenditure funded from capital under statute	(5,278)		-	-	-	5,278
Financial Instruments Revaluation Reserve	(1,904)		-	-	-	1,904
TOTAL ADJUSTMENTS TO REVENUE RESOURCES	(16,260)	7,898	-	-	-	8,362
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES						
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(22,969)	(2,629)	-	-	-	25,598

Note 10 Adjustments between accounting basis and funding basis under regulations (continued)

2021/22 Comparative (continued)	Usable Reserves					Non-usable Reserves
	General Fund Balance	Housing Revenue Account	Capital Grants Unapplied	Major Repairs Reserve	Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	125	7,090	-	-	(7,215)	-
Transfer of deferred sale proceeds as part of the gains/ losses on disposal to the CIES	-	-	-	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account	1,836	-	-	-	-	(1,836)
Capital expenditure financed from revenue balances (charged to HRA)	-	-	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	-	-	-	-	-
Flexible use of Capital receipts	-	-	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(723)	-	-	-	723	-
Payment towards administrative costs of non-current assets disposal (funded by a transfer from the Capital Receipts Reserve)	(97)	-	-	-	97	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	7,076	-	(7,076)	-	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	32,269	5,298	(37,567)	-	-	-
Capital Grants and contributions applied	1,608	2,100	-	-	-	(3,708)
TOTAL ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES	12,049	18,935	(37,567)	(7,076)	(6,395)	20,054
ADJUSTMENTS TO CAPITAL RESOURCES						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	2,096	(2,096)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	9,860	-	(9,860)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	13,047	-	-	(13,047)
TOTAL ADJUSTMENTS TO CAPITAL RESOURCES	-	-	13,047	9,860	2,096	(25,003)
Total Adjustments	(4,211)	26,833	(24,520)	2,784	(4,299)	3,413

Note 11 Transfers to / from Earmarked and Usable Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2022/23. It also includes usable capital resources.

	Balance at 31 March 2021	Transfers Out	Transfers In	Balance at 31 March 2022	Transfers Out	Transfers In	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
General Fund balances	(8,236)		(724)	(8,960)	371		(8,589)
Sub total	(8,236)	-	(724)	(8,960)	371	-	(8,589)
Schools Reserves:-							
DSG Balances	(1,320)	-	(47)	(1,367)	497	(616)	(1,486)
Balances held by schools under a scheme of delegation	(3,605)	1,076	(1,037)	(3,566)	90	-	(3,476)
Earmarked Reserves:-							
- Insurance Fund	(5,961)	810	-	(5,151)	1,016	(568)	(4,703)
- Risk Reserve	(3,830)	2	-	(3,828)	1,562	(1,765)	(4,031)
- Redundancy Costs	(1,228)	453	-	(775)	-	-	(775)
- Revenue Grants Unapplied	(6,920)	3,839	(2,197)	(5,278)	4,361	(3,954)	(4,871)
- Transitional Grant Reserve	(509)	360	-	(149)	112	-	(37)
- Commercial Property Investment Reserve	(2,677)	178	(1,153)	(3,652)	-	(1,152)	(4,804)
- Capital & Treasury Reserve	(854)	125	-	(729)	97	-	(632)
- Town Centre Reserve	(938)	85	-	(853)	65	-	(788)
- Non Grant Carry Forwards	(781)	660	(900)	(1,021)	43	(48)	(1,026)
- Public Health Reserve	(1,188)	-	(701)	(1,889)	159	(84)	(1,814)
- Sustainable Investment Fund	(555)	-	-	(555)	-	(26)	(581)
- Opportunity Sutton Reserve	(254)	-	-	(254)	-	-	(254)

Note 11 Transfers to / from Earmarked and Usable Reserves (continued)

	Balance at 31 March 2021	Transfers Out	Transfers In	Balance at 31 March 2022	Transfers Out	Transfers In	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Reserves continued:-							
- Welfare Support	(338)	137	(383)	(584)	496	-	(88)
- Catering Reserve (School Meals Delegated Funds)	(247)		(11)	(258)	-	(83)	(341)
- Renewals and Repairs Fund	(115)	-	-	(115)	-	-	(115)
- Brexit Reserve	(96)	-	96	-	-	-	-
- Other	(101)	-	-	(101)	-	-	(101)
- Ambition for Sutton-Earmarked Reserve (AFS)	(936)	936	-	-	-	-	-
- Covid 19 Grant funding (COMF & other)	(2,768)	2,248	-	(520)	520	-	-
- Council Tax Hardship Grant Funding	(287)	287	-	-	-	-	-
- Additional Restriction Grant Discretionary (LRSG)	(89)	89	(109)	(109)	109	-	-
- Extended Retail Relief Sect 31 funding	(8,502)	8,502	(2,920)	(2,920)	2,920	-	-
- Fair Funding Reserve	(1,321)	-	-	(1,321)	-	-	(1,321)
- Business Rates Risk Reserve	(1,321)	-	(2,160)	(3,481)	1,500	-	(1,981)
- Concessionary Fares Reserve	-	-	(923)	(923)	923	-	-
- Economic Recovery Reserve	-	-	(833)	(833)	833	-	-
- Inflation Risk Reserve	-	-	(2,000)	(2,000)	2,000	-	-
- St Nicholas Centre RPP Reserve	-	-	(362)	(362)	-	(283)	(645)
- Minimum Revenue Provision Equalisation Reserve	-	-	(1,864)	(1,864)	-	(1,681)	(3,545)
- Local Tax Guarantee	(1,078)	1,078	-	-	-	-	-
- HR & OD Strategy delivery	-	-	-	-	-	(210)	(210)
Sub total	(47,819)	20,865	(17,504)	(44,458)	17,303	(10,470)	(37,625)

Note 11 Transfers to / from Earmarked and Usable Reserves (continued)

	Balance at 31 March 2021	Transfers Out	Transfers In	Balance at 31 March 2022	Transfers Out	Transfers In	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HRA:							
Housing Revenue Account	(5,148)	-	(5,014)	(10,162)	-	(3,509)	(13,671)
Hillcroombe and Harrow Reserve	-	-	(34)	(34)	-	(13)	(47)
Heating Reserve	(530)	-	-	(530)	-	-	(530)
Freeholders Contributions	(46)	-	-	(46)	-	-	(46)
Sub total	(5,724)	-	(5,048)	(10,772)	-	(3,522)	(14,294)
Capital Grants and Contributions Unapplied	(14,972)		(24,520)	(39,492)	7,760	(16,183)	(47,915)
Capital Receipts Reserve	(10,565)	(4,299)	-	(14,864)	2,251	(8,941)	(21,554)
Major Repairs Reserve	(15,008)	2,784	-	(12,224)	7,745	(8,514)	(12,993)
Total	(102,324)	19,350	(47,796)	(130,770)	35,430	(47,630)	(142,970)

Additional information on key reserves of the Council

Earmarked Reserves

- The **Insurance Fund** provides for uninsured losses (including excess payments for claims incurred but not reported) and operational risk management initiatives to support the Council's insurance programme.

- The **Risk Reserve** has been created to mitigate the financial risk of demographic growth and cost pressures to services with demand volatility in areas such as adult and children's social care, as well as meeting other specific unavoidable cost risk issues. This reserve also holds funds for Invest to Save purposes and the Smarter Council programme.
- The **Redundancy Costs Reserve** is established for future redundancy costs anticipated from the continuing drive to secure cost reductions in light of Government grant reductions.

- The **Revenue Grants Unapplied Reserve** holds non ring-fenced grants received in year for revenue purposes but for which the expenditure will occur in future years.

Note 11 Transfers to / from Earmarked and Usable Reserves (continued)

Earmarked Reserves contd.

- The **Commercial Property Investment Reserve** has been established to mitigate risks associated with the Council's commercial property holdings, potential valuation changes, rental loss and debt repayment.
- The **Capital and Treasury Reserve** has been established to fund and support future capital schemes as part of the planned capital programme.
- The **Town Centre Reserve** has been established to support the development and renewal of London Borough of Sutton's town centres.
- The **Non Grant Carry Forward Reserve** was created to carry forward third party contributions and revenue funding for specific projects
- The **Public Health Reserve** has been established to hold the balance of the Public Health grant which was underspent. This grant is strictly ring fenced for specific public health activities and where there is an underspending it must be carried forward to be applied in the following years
- The **Fair Funding Reserves** has been set aside to mitigate potential risks arising from the forthcoming review of local government funding.
- The **Business rate Risk Reserve** has been created to address the potential risks facing business rates income: a key source of funding for the Council.

- The **Minimum Revenue Provision (MRP) Equalisation Reserve** holds the savings that arose during 2021/22 from a review of the Council's arrangements to provide for capital debt repayment. This reserve will be used to offset increases in future MRP charges.

Housing Revenue Account

- The **HRA Reserve** reflects a statutory obligation to account separately for housing provision.
- The **Heating Reserve** holds the net balance of tenants' charges and recoveries for heating and hot water. It is used to help smooth future volatility.

Note 12 Unusable Reserves

31 March 2022		31 March 2023
£'000		
(157,453)	(a) Revaluation Reserve	(165,935)
(350,795)	(b) Capital Adjustment Account	(368,087)
338,811	(c) Pensions Reserve	96,448
466	(d) Financial Instruments Adjustment Account	394
(529)	(e) Deferred Capital Receipts	(529)
3,822	(f) Collection Fund Adjustment Account	1,313
6,171	(g) Accumulated Absences Account	3,425
1,783	(h) Financial Instruments Revaluation Reserve	(464)
(157,724)	TOTAL	(433,435)

Further details of movements in these reserves are shown in the following tables:

Note 12 Unusable Reserves (continued)

a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation, or;
- disposed of and the gains are realised.

2021/22		2022/23
£'000		£'000
(150,364)	Balance at 1 April	(157,453)
(24,749)	Upward revaluation of assets	(20,403)
4,062	Downward revaluation of assets and impairment losses not charged to the surplus/(deficit) on the provision of services	9,480
(20,687)	Surplus or deficit on revaluation of non current assets not posted to the surplus/(deficit) on the provision of services	(10,923)
2,408	Difference between fair value depreciation and historical cost depreciation	2,441
11,190	Accumulated losses on assets sold or scrapped	-
13,598	Amount written off to the Capital Adjustment Account	2,441
(157,453)	Balance at 31 March	(165,935)

Note 12 Unusable Reserves (continued)

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 10 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2021/22		2022/23
£'000		£'000
(320,189)	Balance at 1 April	(350,795)
(3,344)	Opening balance restated	
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
19,472	Charge for depreciation and impairment of non-current assets	20,999
(10,808)	Revaluation gains/(losses) on Property, Plant and Equipment	(17,399)
2,028	Amortisation of intangible assets	1,971
5,278	Revenue expenditure funded from capital under statute	9,167
25,598	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,351
41,568		18,089
(2,408)	Difference between fair value depreciation and historical cost depreciation	(2,441)
(11,190)	Accumulated losses on assets sold or scrapped	-
27,970	Net written out amount of the cost of non-current assets consumed in the year	15,648

Note 12 Unusable Reserves (continued)

Capital Adjustment Account (continued)

2021/22		2022/23
£'000		£'000
	Capital financing applied in the year:	
(2,096)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,251)
(9,860)	Use of the Major Repairs Reserve to finance new capital expenditure	(7,744)
(3,708)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,769)
(13,047)	Application of grants to capital financing from the Capital Grants Unapplied Account	(19,142)
(1,836)	Statutory provision for the financing of capital investment charged against the General Fund and HRA Balances	(2,300)
-	Funded from Revenue Reserves	-
(30,547)		(34,206)
(24,685)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,266
(350,795)	Balance at 31 March	(368,087)

Note 12 Unusable Reserves (continued)

c) Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2021/22		2022/23
£'000		£'000
386,233	Balance at 1 April	338,811
(68,574)	Remeasurement of the net defined benefit liability	(261,949)
38,797	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	35,922
(17,645)	Employers pension contributions and direct payments to pensioners payable in year	(16,336)
338,811	Balance at 31 March	96,448

Note 12 Unusable Reserves (continued)

d) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2021/22		2022/23
£'000		£'000
560	Balance at 1 April	466
(94)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(72)
466	Balance at 31 March	394

Note 12 Unusable Reserves (continued)

e) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2021/22		2022/23
£'000		£'000
(529)	Balance at 1 April	(529)
(32)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
32	Transfer of deferred sales proceeds to the Capital Receipts Reserve upon payment	-
(529)	Balance at 31 March	(529)

Note 12 Unusable Reserves (continued)

f) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2021/22		2022/23
£'000		£'000
12,807	Balance at 1 April	3,822
(8,985)	Amount by which Council Tax and Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements	(2,509)
3,822	Balance at 31 March	1,313

Note 12 Unusable Reserves (continued)

g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, i.e. annual leave entitlement carried forward at 31 March 2023. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from this Account.

2021/22		2022/23
£'000		£'000
3,071	Balance at 1 April	6,171
(3,071)	Settlement or cancellation of accrual at the end of the preceding year	(6,171)
6,171	Amounts accrued at the end of the current year	3,425
3,100	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from remuneration chargeable in year in accordance with statutory requirements	(2,746)
6,171	Balance at 31 March	3,425

Note 12 Unusable Reserves (continued)

h) Financial Instrument Revaluation Reserve

The Financial Instrument Revaluation Reserve contains the gains made by the Council arising from increases in the value of investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are :

- revalued downwards or impaired and the gains are lost, and;
- disposed of and the gains are realised.

2021/22		2022/23
£'000		£'000
(121)	Balance at 1 April	1,783
-	Upward revaluation of investments	(2,247)
1,904	Downward revaluation of investments	-
1,783	Balance at 31 March	(464)

Note 13 Property, Plant and Equipment (including Heritage Assets)

Movement on balances

2022/23	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1st April 2022	473,578	325,310	9,043	86,749	6,304	8,305	9,387	918,676
Additions	12,548	2,906	1,259	4,710	398	-	13,368	35,189
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	9,783	-	-	-	(2,024)	-	7,759
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	9,240	(830)	-	-	-	-	-	8,410
Derecognition - disposals	(3,351)	-	-	-	-	-	-	(3,351)
Derecognition - other	-	-	(822)	-	-	-	-	(822)
Assets reclassified (to)/from held for sale	-	-	-	-	-	-	-	-
Reclassification and transfers	-	-	-	-	-	-	-	-
At 31st March 2023	492,015	337,169	9,480	91,459	6,702	6,281	22,755	965,861

Note 13 Property, Plant and Equipment (continued)

Movement on balances

2022/23	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment								
At 1st April 2022	-	(20,783)	(6,270)	(55,890)	-	-	-	(82,943)
Depreciation Charge:	(8,427)	(6,027)	(1,333)	(5,205)	-	(7)	-	(20,999)
Depreciation charge written out to the Revaluation Reserve	-	3,156	-	-	-	7	-	3,163
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	8,427	562	-	-	-	-	-	8,989
Derecognition - disposal	-	-	-	-	-	-	-	-
Derecognition - other	-	-	822	-	-	-	-	822
Reclassification and transfers	-	-	-	-	-	-	-	-
At 31st March 2023	-	(23,092)	(6,781)	(61,095)	-	-	-	(90,968)
Net Book Value:								
At 31 March 2022	473,578	304,527	2,773	30,859	6,304	8,305	9,387	835,733
At 31 March 2023	492,015	314,077	2,699	30,364	6,702	6,281	22,755	874,893

Note 13 Property, Plant and Equipment (continued)

Movement on balances

Comparative movements in 2021/22	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1st April 2021	435,627	311,202	24,693	81,612	2,614	2,370	8,001	866,119
Additions	32,705	31,578	751	3,306	281	-	6,704	75,325
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	13,154	-	-	-	4,332	-	17,486
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,875	(3,857)	-	-	-	(925)	-	3,093
Derecognition - disposals	(2,629)	(25,109)	(81)	-	-	(125)	-	(27,944)
Derecognition - other	-	-	(16,320)	-	-	-	-	(16,320)
Assets reclassified (to)/from held for sale	-	-	-	-	-	-	-	-
Reclassification and transfers	-	(1,658)	-	1,831	3,409	2,653	(5,318)	917
At 31st March 2022	473,578	325,310	9,043	86,749	6,304	8,305	9,387	918,676

Note 13 Property, Plant and Equipment (continued)

Movement on balances

Comparative movements in 2021/22	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment								
At 1st April 2021	-	(20,513)	(21,097)	(50,993)	-	-	-	(92,603)
Depreciation Charge:	(7,010)	(5,999)	(1,557)	(4,897)	-	(9)	-	(19,472)
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	7,010	253	-	-	-	-	-	7,263
Depreciation charge written out to the Revaluation Reserve	-	2,909	-	-	-	293	-	3,202
Derecognition - disposal	-	2,282	63	-	-	1	-	2,346
Derecognition - other	-	-	16,320	-	-	-	-	16,320
Reclassification and transfers	-	285	-	-	-	(285)	-	-
At 31st March 2022	-	(20,783)	(6,271)	(55,890)	-	-	-	(82,944)
Net Book Value:								
At 31 March 2021	435,627	290,689	3,596	30,619	2,614	2,370	8,001	773,516
At 31 March 2022	473,578	304,527	2,772	30,859	6,304	8,305	9,387	835,732

Note 13 Property, Plant and Equipment (continued)

Depreciation

- Council dwellings; other land and buildings; vehicles, plant, furniture and equipment; and infrastructure rates are detailed in Accounting Policies.
- Community Assets - by their nature they are held in perpetuity. Depreciation charges are therefore immaterial and not included in the financial statements. Any expenditure, which is not considered to enhance the asset, is depreciated in full in the year it is incurred.
- Surplus Assets – calculated as per its previous operational classification.

Additions

In 2022/23 the Council invested £11.7m of capital expenditure on improvements to council dwellings, and purchased 28.5 dwellings at a cost of £0.848m. As at 31 March 2023, the Council has a number of major capital projects which are detailed in the Narrative Report to the Statement of Accounts.

Capital Commitments

At 31 March 2023, the Authority has committed through its capital programme and entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2023/24 and future years which are budgeted to cost £158.394m in total (£111.68m at 31 March 2022). The major commitments are detailed in the following table:

	Planned expenditure to 31 March 2027
	£'000
Council Dwellings - Major Works	2,669
Council Dwellings - Energy Programme	1,999
Council Dwellings - Housing New Build	63,995
Estate Regeneration	72,214
Housing General Fund - Travellers Sites	7,770
Highways Works	3,947
Other Development Growth & Regeneration Projects	5,800
Total	158,394

Note 13 Property, Plant and Equipment (continued)

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment (PP&E) required to be measured at current value is revalued. All valuations are carried out internally. The latest valuation was carried out as at 31 March 2023.

A minimum of one fifth of the Council's PP&E classified properties are valued each year as well as any asset with a value greater than 1% of the IFRS asset classification it sits in. In addition, buildings subject to major refurbishment which complete in a year and a number of specified PP&E will be valued each year. Public offices are also revalued each year.

Valuations of the Council's land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS) under the direction of the Council's Assistant Director, Resources Directorate (Asset Planning, Management and Capital Delivery). The valuer for the authority is the Asset Management section and the Asset Valuation report is signed, on behalf of the Asset management section, by David Gobel BSc (Est Man), RICS, Valuation and Estates Manager.

The significant assumptions applied in estimating the current values are:

- No deleterious or hazardous material has been used in the construction of the properties or has since been incorporated
- There are no onerous conditions or restrictions which might affect the valuations, and the use of the property is lawful
- The inspection of those parts of a property that have not been inspected would neither reveal material defects nor cause the Valuer to alter the valuation materiality.
- Operational assets valued using Depreciated Replacement Cost (DRC) for specialist properties or Existing Use Value (EUV) for other properties
- Non operational properties are valued using fair value (FV)
- Council Dwellings are valued using the Existing Use Value for Social Housing (EUV-SH)

The RICS withdrew the global COVID-19 valuation practice alert on 3rd March 2022. This report does not report any valuation uncertainty due to Covid-19, however the valuation does reflect the after effects of COVID-19, such as lower demand for high street retail, and subsequent low rental growth in the retail sector.

The valuations of the Council dwellings were carried out in accordance with the methodologies and estimation set out in the Stock valuation for resourcing Accounting Guidance for valuers 2016 published in November 2016 by the MHCLG under the direction of the Council's Assistant Director, Resources Directorate (Asset Planning, Management and Capital Delivery). The valuer for the authority is the Asset Management section and the Asset Valuation report is signed, on behalf of the Asset management section, by David Gobel BSc (Est Man), RICS, Valuation and Estates Manager.

Council dwellings are adjusted to account for their status as social housing. For 2022/23 the social housing factor for London remains at 25% which results in a value adjusted for the social housing factor of £492.015m.

Infrastructure and community assets have been included at historical cost.

The authority carried out a value movement review of assets not revalued in the year and confirms that change is immaterial.

Note 13 Property, Plant and Equipment (continued)

The following table shows the breakdown of Property, Plant and Equipment net book value by date of valuation.

	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	-	2,699	30,364	6,702	-	22,755	62,520
Valued at current value as at:								
31 March 2023	492,015	290,569	-	-	-	6,281	-	788,865
31 March 2022	-	4,564	-	-	-	-	-	4,564
31 March 2021	-	36	-	-	-	-	-	36
31 March 2020	-	18,389	-	-	-	-	-	18,389
31 March 2019	-	446	-	-	-	-	-	446
31 March 2018	-	73	-	-	-	-	-	73
Total Cost or Valuation	492,015	314,077	2,699	30,364	6,702	6,281	22,755	874,893

Valuation Techniques used to Determine Level Three Fair Value

Investment properties and Surplus assets have been valued using either the Market or Income approach to Fair Value. The valuations were carried out under the direction of the Council's Assistant Director, Resources Directorate (Asset Planning, Management and Capital Delivery). The valuer for the authority is the Asset Management section and the Asset Valuation report is signed, on behalf of the Asset management section, by David Gobel BSc (Est Man), RICS, Valuation and Estates Manager.

Valuation have taken into account the following factors:

- Existing lease terms and rentals relating to each property including income produced
- Research into market evidence including market rentals and yields adjusted to reflect the nature of each tenancy or void

Note 13 Property, Plant and Equipment (continued)

Measurement of fair value of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 March 2023. Note the majority of property, plant and equipment is carried at current value in accordance with IAS 16, as adapted for the public sector context.

31 March 2022					31 March 2023			
Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	-	8,305	8,305	Surplus Assets	-	-	6,281	6,281
-	-	148,497	148,497	Investment Properties	-	-	147,231	147,231
-	-	-	-	Other Land and Buildings	-	-	3,880	3,880
-	-	936	936	Assets Held for Sale	-	-	936	936
-	-	157,738	157,738	Total	-	-	158,328	158,328

Quantitative Information about fair value measurement of non-current assets using significant unobservable inputs - level 3

Valuation Techniques used to measure fair value	Unobservable inputs	Valuation Process
Market approach	Market comparables for similar properties <ul style="list-style-type: none"> • Rental values • Investment yields • Location of comparable properties and transactions • Timing of comparable transactions applying to similar properties • Certain detail about physical characteristics and detailed transactional information of comparable properties for which adjustments may need to be made 	Analysed comparable evidence data from local property transactions carried out by the council or otherwise within the valuer's scope of knowledge to place a land / building value on the subject property / site, then made adjustments for site location, site restrictions, layout and quality

Note 13 Property, Plant and Equipment (continued)

Quantitative Information about fair value measurement of non-current assets using significant unobservable inputs - level 3

Type of Property	Fair Value as at 31 March 2022 £'000	Valuation Techniques used to measure fair value	Unobservable inputs	Quantitative Information Used (Range)	Sensitivity
Retail - Investment Properties	15,552	Investment method	Estimated rent	£7-£32psf per annum overall, £40-£76psf in terms of Zone A	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
			Estimated yield	4.75% to 7.5%	
			Void/rent free period length	12-18 months	
Industrial -Investment Properties	41,581	Investment method	Estimated rent	£1.75 to £14.00psf per annum	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
			Estimated yield	3.5% to 8%	
			Void/rent free period length	12 months	
Office Accommodation:-					
Investment Properties	50,658	Investment method	Estimated rent	£15.75-£22psf per annum	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
			Estimated yield	3.25% to 8.25%	
			Void/rent free period length	12 to 30 months	
Surplus Assets	6281	Residual method	Estimated residential sale prices	£5,800 to £6,000 per sq m	
Assets Held for Sale	936		Estimated build or conversion costs	£1,900 to £2,600 per sq m	
			Estimated developer's profit	15% to 20% of development value	
			Estimated financing costs	6% to 7% on costs	
			Estimated professional fees on build	10%-12% on build costs	
			Estimated contingency allowance on costs	5%-7.5% on build costs	
	Estimated external works costs relative to build		10%-12% on build costs		

Note 13 Property, Plant and Equipment (continued)

Type of Property	Fair Value as at 31 March 2022 £'000	Valuation Techniques used to measure fair value	Unobservable inputs	Quantitative Information Used (Range)	Sensitivity
Recreation sport - Investment Properties	22,500	Investment method	Estimated rent Estimated yield Void/rent free period length	£13psf per annum 5.5% to 6% 12 months	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Residential development - Investment Properties - Other Land & Buildings	16,940 3,880	Residual or comparison method	Estimated residential sale prices Estimated build or conversion costs Estimated developer's profit Estimated financing costs Estimated professional fees on build Estimated contingency allowance on costs	£6,000 per sq m £1,755 per sq m 10%-20% of development value 7% on costs 12% on build costs 5% on build costs	Significant changes in unobservable inputs could result in a significantly lower or higher fair value
Total Fair Value	158,328				

The valuations for Council properties valued at fair value have been based on the market approach reflecting market conditions at the relevant date, including rental values and investment yields for similar properties. Other relevant information relating to similar properties has also been used, such as location of comparable properties and how that relates to the subject, timing of comparable transactions applying to similar properties, and certain details about physical characteristics and detailed transactional information of comparable properties for which adjustments may need to be made. Market conditions are such that the level of unobservable inputs can be significant, leading to the properties being categorised at level 3 in the fair value hierarchy. The valuers have used their professional judgement, developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information reasonably available.

Note 13 Property, Plant and Equipment (continued)

Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

	Investment Properties		Surplus Assets		Other Land & Buildings		Assets Held for Sale		Total Level 3	
	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance	124,729	148,497	2,370	8,305	-	-	485	936	127,584	157,738
Transfers into Level 3	-	-	-	-	-	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	3,117	-	-	-	-
Derecognition / Disposal	-	-	(123)	-	-	-	-	-	(123)	-
Total gains or losses for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in the fair value	24,685	(1,266)	(925)	-	-	(259)	451	-	24,211	(1,266)
Total gains or losses for the period included in Other Comprehensive Income and Expenditure resulting from changes in the fair value	-	-	4,624	(2,017)	-	1,052	-	-	4,624	(2,017)
Depreciation charge	-	-	(9)	(7)	-	(30)	-	-	(9)	(7)
Other charges - category transfers	(917)	-	2,368	-	-	-	-	-	1,451	-
Closing Balance	148,497	147,231	8,305	6,281	-	3,880	936	936	157,738	154,448

£1.266m of losses arising from changes in the fair value of investment properties have been recognised in the Surplus or Deficit on the Provision of Services - Financing and investment income and expenditure line. £2.017m of losses arising from changes in the fair value of surplus assets have been recognised in Other Comprehensive Income and Expenditure within the Net (surplus) / deficit arising on revaluation of Property, Plant and Equipment Assets line.

Note 13 Property, Plant and Equipment (continued)

Highest and Best Use of Investment Properties

In estimating the Fair Value of the Council's investment properties, the highest and best use of 46 of the 47 properties is their current use. One property valued at £5k has a more valuable alternative use subject to access and title constraints.

Highest and Best Use of Surplus Assets

In estimating the Fair Value of the Council's surplus properties, the highest and best use of all of the four properties is an alternative to the current/latest use.

Surplus Assets

Surplus assets held by the Authority at 31 March 2023 total £6.281m (£8.305m in 2021/22).

31 March 2022		31 March 2023
£'000		£'000
2,370	Opening Balance	8,305
(9)	Depreciation	(7)
(123)	Disposals	-
2,368	Reclassifications	-
3,699	Revaluations	(2,017)
8,305	Closing Balance	6,281

Note 13 Property, Plant and Equipment (continued)

Heritage Assets

General

Heritage Assets are not being reported as a distinct class of asset within Property, Plant and Equipment.

Nature and Significance of Assets Owned

The Council's portfolio of Heritage Assets is unchanged in 2022/23 as no acquisitions or disposals took place. The nature and significance of these assets are detailed below.

Land and Buildings

a) Museums

Honeywood £1.999m and Whitehall £3.202m

The Authority has three museums in listed buildings. Honeywood is listed Grade II and Whitehall Grade II*.

Honeywood is currently operational, predominantly delivering services relating to knowledge and culture. Honeywood, the Council's main museum is a historically significant building with origins in the 17th Century. The core of the building includes several flint and chalk checkerboard walls, once a significant local building style of which very few examples remain.

Whitehall is a unique building dating from c.1500. It was owned by the same family for 250 years and retains many of its original features. It is a rare survivor of a Tudor building on the domestic scale.

Little Holland House - Value £0.630m

Little Holland House is an Edwardian house built by Frank Dickinson in the Arts and Crafts style. Access is restricted due to the fragile nature of the internal décor. The building is grade II listed.

b) Monuments

Upper Mill

Upper Mill in Grove Park is on the site of a mill listed in the Domesday book. The current structure includes wheel pits dating from 1782, designed by John Smeaton and an early 19th century wheel. The wheel and pits are Grade II listed. The remainder of the structure is a recreation of a late Victorian building designed to house an electric generator which was adapted to hydro-electricity at an early date. The mill is not currently open to the public and has been damaged by vandalism. No valuation exists for this asset however the value is unlikely to be material.

The Dovecote, Carew Manor

The Dovecote dates from the early 18th century and is a scheduled monument. The Dovecote is not regularly opened to the public. No valuation exists for this asset.

Art Collection

The art collection includes some 1,110 paintings, mostly of the 19th and 20th centuries which are either local scenes or by artists who lived in the borough. Many of the local scenes are an important record of the topography of the Borough. There are works by topographic artists such as John Hassell (father and son), Gideon Yates, Thomas Allom and William Tatton Winter. The collection also includes paintings by a number of artists with a more than local reputation including Frank Moss Bennett (1874-1953), Elva Blacker (1908-84), Thomas Dibdin (1810-1893), John Drage (1856-1914), William Gilpin (1724-1804), Horace Mann Livens (1862-1936), Dorothy Moore (1897-1973), Joseph Nash (1803-78), James Pollard (1792-1867), Joseph Powell (c1780-c1834), William Tatton Winter (1855-1928),

Gideon Yates (early 19th century) and Fred Yates (d.2008). The collection has not been formally valued. The whole collection is not considered to be significant for separate insurance purposes and is covered in the standard contents cover. The collection is promoted to the public via the internet, and the Council's libraries and historic house museums.

Museum Collection

The collection consists of objects connected to the borough's history. The majority are of a domestic nature including costume and household items. Of significance are finds from the excavations of a mediaeval pottery kiln in Cheam ('Cheam-ware'), one of the earliest kilns excavated in England and finds from excavations at Carew Manor, including unusual late Elizabethan garden metalwork and ceramics. The collection has not been formally valued, however a limited number of items have a purchase price and the value of the whole collection is not considered to be material.

Glass Plate Negatives

The collection of Edwardian glass plate negatives currently held in the Borough archive consists of 11,000 original plates still in their studio wrappers. The plates are all the work of Knights-Whittome, a local photographer active from c1900-1918. Knights-Whittome was a society photographer who also photographed the royal family, aristocracy and toured Europe recording palaces and major buildings. The collection includes images (many of which have been lost) of local people, national and European figures, and buildings. No formal valuation has been carried out for the collection but it is not considered material and the collection is insured in the standard contents cover.

Note 13b Intangible Assets

Intangible assets are those which do not have physical substance, but bring economic benefit to the Council. Intangible assets include both purchased licences and internally generated software. The costs of intangible assets are amortised on a straight line basis over the expected life of the asset, which is 5 years.

The movement on Intangible Assets balances during the year is as follows:

31 March 2022		31 March 2023
£'000		£'000
Balance at start of year:		
7,721	Gross carrying amounts	10,140
(4,377)	Accumulated amortisation	(6,405)
3,344	Net carrying amount at start of year	3,735
Transactions in year:-		
2,419	Additions	2,723
(2,028)	Amortisation	(1,971)
3,735	Net carrying amount at end of year	4,487
Comprising:-		
10,140	Gross carrying amounts	12,863
(6,405)	Accumulated amortisation	(8,376)
3,735		4,487

Note 14 Investment Properties

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and proceeds of disposal. Investment property is property (land or a building) held by the owner solely to earn rental income and/or for capital appreciation.

Investment properties are not depreciated but are revalued each year and are measured at fair value. Valuation techniques and inputs into calculating the fair value of investment properties can be found in Note 13.

Valuation of the Council's investment property portfolio is carried out by the Council's valuers following Royal Institution of Chartered Surveyors (RICS) guidance. The RICS withdrew the global Covid-19 valuation practice alert on 3rd March 2022. The valuer is not reporting any valuation uncertainty due to Covid-19 however the valuation does reflect the after effects of Covid, such as lower demand for high street retail and subsequent low rental growth in the retail sector and the continued hybrid working patterns, meaning office occupancy is down.

The following table summarises the movement in the fair value of investment properties over the year:

2021/22		2022/23
£'000		£'000
124,729	Balance at the start of the year	148,497
(917)	Reclassification to Other Land and Buildings	-
-	Additions	-
(50,600)	Classified as Investment Properties Held for Sale	(43,700)
24,685	Net gains/(losses) from fair value adjustments (Revaluations and Impairments)	(1,266)
97,897	Closing Balance (non-current assets)	103,531
50,600	Investment Properties Held for Sale (current assets)	43,700
148,497	Total Balance at the end of the year	147,231

Investment Property valued at £43.7m is identified as available for sale. In line with the CIPFA Code of Practice this has not been reclassified as Assets Held for Sale, but for clarity is disclosed separately in the table above.

Note 14 Investment Properties (continued)

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2021/22		2022/23
£'000		£'000
(6,188)	Rental income from investment property	(7,083)
309	Direct operating expenses arising from investment property	2
(5,879)	Net gain	(7,081)

Note 15 Assets Held for Sale

As at 31 March 2023 the Council had a number of properties categorised as Assets Held for Sale, and comprising a total value of £0.936m.

2021/22		2022/23
£'000		£'000
485	Opening Balance	936
-	Additions	-
-	Reclassifications	-
451	Revaluations	-
936	Closing Balance	936

Note 16 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2021/22		2022/23
£'000		£'000
428,370	Opening Capital Financing Requirement	480,845
Capital Investment:		
75,325	Property, Plant and Equipment	35,189
-	Investment Properties	-
2,419	Intangible Assets	2,723
5,278	Revenue Expenditure Funded from Capital Under Statute	9,167
Sources of Finance:		
(2,096)	Capital Receipts	(2,251)
(13,047)	Government grants and other contributions	(19,142)
(3,708)	Capital grants and contributions recognised as income and applied	(2,769)
(9,704)	Major Repairs Reserve	(7,744)
Sums set aside from revenue		
(156)	- Direct revenue contributions	-
(1,836)	- MRP / Loans fund principal	(2,300)
480,845	Closing Capital Financing Requirement	493,718
Explanation of movements in year		
(52,475)	Increase in underlying need to borrow (unsupported by government financial assistance)	(12,873)
(52,475)	Increase in Capital Financing Requirement	(12,873)

Note 17 Financial Instruments

a) Financial Instruments Balances

Accounting regulations require financial instruments shown on the Balance Sheet to be further analysed into various defined categories as shown in the tables below.

Note: the total shown as “cash” is nil. This is because the “cash and cash equivalent” amount does not meet the definition of a financial liability. See Note 20 for further information.

Categories of financial assets

31 March 2022						31 March 2023					
Non-current		Current		Total		Non-current		Current		Total	
Investments	Debtors	Investments	Debtors	Cash		Investments	Debtors	Investments	Debtors	Cash	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
-	1,332	15,006		-	16,338	-	3,667	18,739		-	22,406
-	10,984	46,540	52,113	5,467	115,104	-	7,817	25,303	48,257		81,377
10	-	-	-	-	10	10	-	-		-	10
10	12,316	61,546	52,113	5,467	131,452	10	11,484	44,042	48,257	-	103,793

Categories of financial liabilities

31 March 2022					31 March 2023				
Non-current		Current		Total		Non-current		Current	
Borrowings	Creditors	Borrowings	Creditors			Borrowings	Creditors	Borrowings	Creditors
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(406,947)	-	(9,187)	(55,251)	(471,385)	Amortised Cost	(406,947)	-	(1,979)	(57,815)
(406,947)	-	(9,187)	(55,251)	(471,385)	Total financial liabilities	(406,947)	-	(1,979)	(57,815)

Note 17 Financial Instruments (continued)

Investments in equity instruments designated at fair value through other comprehensive income

Description	Nominal	Fair Value
	£'000	£'000
SDEN	5	5
Sutton Living	5	5

Opportunity Sutton had equity in two subsidiary companies - Sutton living and SDEN (Sutton Decentralised Energy Network Ltd). The Council's total investment for 2022/23 is £0.0010m.

Reclassification

Reclassification of a financial instrument can only occur if it is allowed through the definitions of the Code, and as a consequence should be relatively rare. In the case of financial liabilities an authority cannot reclassify. No financial instruments have been reclassified.

Note 17 Financial Instruments (continued)

b) Comprehensive Income and Expenditure Statement disclosures

Items of income, expense, gains or losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2021/22			2022/23	
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure		Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure
£'000	£'000		£'000	£'000
Net gains/losses on:				
(1,904)	-	Financial assets measured at fair value through profit or loss	564	-
-	-	Financial assets measured at amortised cost	-	-
-	-	Investments in equity instruments designated at fair value through other comprehensive income	-	-
(1,904)	-	Total net gains/losses	564	-
Interest revenue:				
(645)	-	Financial assets measured at amortised cost	(579)	-
300	-	Other Financial assets measured at fair value through profit and loss	-	-
(345)	-	Total interest revenue	(579)	-

Note 17 Financial Instruments (continued)

Fair Value

2021/22			2022/23		
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure		Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	
£'000	£'000		£'000	£'000	
Interest expense:					
11,169	-	Financial assets or financial liabilities that are not at fair value through profit or loss	11,832	-	
11,169	-	Total interest expense	11,832	-	
Fee expense:					
-	-	Financial assets or financial liabilities that are not at fair value through profit or loss	-	-	
-	-	Total fee expense	-	-	

Basis for recurring fair value measurements:

Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs – unobservable inputs for the asset or liability.

Note 17 Financial Instruments (continued)

Fair Value of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 March 2022 £'000	As at 31 March 2023 £'000
Fair Value through Profit and Loss				
Other financial instruments classified as fair value through profit and loss	Level 3	Discounted cashflow	1,332	3,632
Total			1,332	3,632
Fair Value through Other Comprehensive Income				
Opportunity Sutton (Sutton Living Limited)	Level 3	Equity share attributable to shareholders	5	5
Opportunity Sutton (SDEN LTD)	Level 3	Equity share attributable to shareholders	5	5
Total			10	10

Equity Investments

The equity investments below are not based on a valuation technique that is based on observable current market transactions or available market data:

- Opportunity Sutton (Sutton Living Limited) - the shares in this company are not traded in an active market and for 2022/23 the shares are £0.005m.
- Opportunity Sutton (SDEN) - the shares in this company are not traded in an active market and the shares for 2022/23 is £0.005m

Note 17 Financial Instruments (continued)

Other financial instruments classified as Fair Value through Profit and Loss

The Council has one loan that is classed as this. The loan is long term and the fair value has been calculated by using discounted cash flow with a discount rate based on UK gilts of the same duration as the remaining life of the loan plus a credit risk premium of 4.2%.

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels during the year.

Changes in the Valuation Technique

There has been no change in valuation technique used during the year for financial instruments.

The Fair Values of Financial Assets and Liabilities that are not measured at Fair Value (but are required for disclosure)

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

For loans from the PWLB payable, new loan rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the table sets out the alternative fair value measurement applying the premature repayment (the alternative to the above), highlighting the impact of the alternative valuation;

For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value. No early repayment or impairment is recognised; Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

The fair value of trade and other receivables is taken to be invoiced or billed.

The calculated fair value of each class of financial asset and liability which are carried in the balance sheet are shown in the tables below.

The prior year fair values as at 31 March 2022 are also provided for comparison.

Note 17 Financial Instruments (continued)

Fair Value of Liabilities Carried at Amortised Cost

31 March 2022			31 March 2023		
Carrying amount	Fair Value		Carrying amount	Fair Value	
£'000	£'000		£'000	£'000	
287,795	310,282	PWLB debt	282,326	217,815	
25,615	34,445	Market Debt	25,300	22,669	
100,024	81,315	European Primary Placement Facility (Bond)	100,001	52,977	
2,700	2,700	Local Authorities	-	-	
-	-	Short term Borrowing			
55,251	55,251	Short term creditors	57,815	57,815	
471,385	483,993	Total financial liabilities	465,442	351,276	

The fair value is higher than the carrying amount because the Authority's portfolio of loans includes fixed rate loans, where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £310.3m measures the economic effect of the terms agreed with the PWLB, compared with estimates of the terms that would be offered for

market transactions undertaken at the Balance Sheet date.

The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB, rather than from the markets.

A supplementary measure of the additional interest that the authority will pay as a result of

its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £286.8m would be valued at £310.3m. However, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that would have been paid. The exit price for the PWLB loans including the penalty charge would be £369.545m

Note 17 Financial Instruments (continued)

Fair Value of Assets Carried at Amortised Cost

31 March 2022			31 March 2023	
Carrying amount	Fair Value		Carrying amount	Fair Value
£'000	£'000		£'000	£'000
61,546	61,546	Short term investments	44,042	44,042
10	10	Equity investments	10	10
52,113	52,113	Short term debtors		
12,316	12,316	Long term debtors	11,484	11,484
5,467	5,467	Cash and cash equivalents	48,257	48,257
131,452	131,452	Total financial assets	103,793	103,793

Where the fair values of financial assets are the same as carrying values, this is because the investments held are short term and their interest rates are equal to the rates available for

similar loans at the balance sheet date. The fair value of long term debtors held at amortised cost is assumed to be the same as the carrying amount since there is no traded market for such

receivables and liabilities and it is therefore not possible to provide equivalent market rates.

Note 17 Financial Instruments (continued)

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

31 March 2023	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<i>Recurring fair value measurements using:</i>	£'000	£'000	£'000	£'000
Financial liabilities				
Financial liabilities held at amortised cost:				
PWLB	-	217,815	-	217,815
Non-PWLB	-	22,669	-	22,669
Local Authorities	-	-	-	-
European Primary Placement Facility (Bond)	52,977	-	-	52,977
Short term borrowing	-	-	-	-
Short term creditors	-	71,449	-	71,449
Total	52,977	311,933	-	364,910
Financial assets				
Financial assets held at amortised cost:				
Total	-	100,169	-	100,169

Note 17 Financial Instruments (continued)

31 March 2022 comparative	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<i>Recurring fair value measurements using:</i>	£'000	£'000	£'000	£'000
Financial liabilities				
Financial liabilities held at amortised cost:				
PWLB	-	310,282	-	310,282
Non-PWLB		34,445		34,445
Local Authorities	-	2,700	-	2,700
European Primary Placement Facility (Bond)	-	81,315	-	81,315
Short term borrowing	-	-	-	-
Short term creditors	-	55,251	-	55,251
Total	-	483,993	-	483,993
Financial assets				
Financial assets held at amortised cost:				
	-	115,104	-	115,104
Total	-	115,104	-	115,104

The fair value for financial liabilities and financial assets that are not measured at fair value included in Level 2 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate detailed above.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the assumptions detailed above, primarily for financial liabilities the

fair value is arrived at by applying the discounted cash flow calculations based on the PWLB premium/discount calculations.

Note 17 Financial Instruments (continued)

c) Nature and Extent of Risks Arising from Financial Instruments

The Council's management of treasury risks actively works to minimise exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code on Treasury Management in the Public Services and investment guidance issued through the Act.

The Council has written principles for overall risk management as well as written policies and procedures (Treasury Management Practices - TMPs) covering specific areas such as interest rate risk, credit risk and the investment of surplus cash which are reviewed periodically.

The latest Annual Treasury Management Strategy which incorporates the prudential indicators was approved by the Council in March 2023 and is available on the Council's website. Actual performance is reported on a quarterly basis to the Audit Committee.

Credit Risk

Credit risk arises from the lending of surplus cash funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council is currently using highly rated institutions and high security money market funds. The Council has a policy of limiting deposits with individual institutions to a maximum of £20 million.

Amounts Arising from Expected Credit Losses

The Council's maximum exposure to credit risk on its money market investments has been deemed to be immaterial. This has been determined by reference to the historic default rates provided by credit rating agencies that show a risk of default of 0.05% or less for the rated financial institutions on the Council's approved counterparty list. Note that in the event of any default the Council would be entitled to a share of the assets in the financial

institution so that any potential loss would be less than the default rate quoted.

The Council has made a credit loss allowance on its trade receivables in accordance with proper practices. The Council has also reviewed its long-term debtors to assess the likelihood of any loss. It has not been necessary to make any such allowances in 2022/23.

Liquidity Risk

The Council has access to borrowing from the money markets to cover day to day cash flow needs and to the Public Works Loans Board (PWLB) and money markets for access to longer term funds. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The maturity structure of financial liabilities is as follows (at nominal rate)

Note 17 Financial Instruments (continued)

31 March 2022		31 March 2023
£'000		£'000
286,826	Public Works Loans Board	282,326
25,300	Market debt	25,300
100,001	European Primary Placement Facility (Bond)	100,001
2,700	Temporary loans	
414,827	Total	407,627
7,200	Less than 1 year	-
-	Between 1 and 2 years	-
-	Between 2 and 5 years	4,200
14,200	Between 5 and 10 years	15,000
393,427	More than 10 years	388,427
414,827	Total	407,627

The figures in the table above excludes accrued interest on the loans.

Market Risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council depending on how variable and fixed interest rates move across differing financial instrument periods.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk, for example variable rate loans are limited to a maximum of 20% of overall borrowing.

The Council continually tracks interest rates and uses its treasury management advisers, Link, to identify opportunities for restructuring debt. In doing so, any premiums or discounts applicable are taken into consideration when assessing whether this may be beneficial to the Council. There is an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable

Note 17 Financial Instruments (continued)

According to this assessment strategy, at 31 March 2023 if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2022	31 March 2023
	£'000	£'000
Increase in interest payable on variable rate borrowings	153	153
Increase in interest receivable on variable rate investments	(5,912)	(536)
	-	-
Impact Surplus or Deficit on the Provision of Services	(5,759)	(383)
Share of overall impact debited to the HRA	(2,630)	(200)
Increase/(Decrease) in fair value of fixed rate investment assets	387	(99)
Impact on Other Comprehensive Income and Expenditure		
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(85,942)	(42,320)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. An increase or decrease in interest costs would have an equivalent impact on the Council's CIES.

The latest financial forecasts for Sutton Decentralised Energy Network Ltd (SDEN) reflect amendments to the loan agreements between SDEN Ltd and LBS to reduce the interest on the long term loans to 2% from the current 6% on the long-term loan and 7.8% on the working capital loans. The effect of this change and another proposal to delay the loan maturity date by several years enables SDEN Ltd to deliver a business plan that attains positive cash balances for the next 49 years after meeting its running costs as well as loan interest and recommended principal repayment commitments

Note 18 Debtors

These are short-term debts consisting of amounts due from Government, other local authorities and amounts due for goods and services provided as at 31 March.

At 31 March 2022				At 31 March 2023		
Gross debtors	Provision for bad debts	Total Net debtors		Gross debtors	Provision for bad debts	Total Net debtors
£'000	£'000	£'000		£'000	£'000	£'000
Public sector bodies:						
27,478	-	27,478	Central government bodies	32,414	-	32,414
8,860	-	8,860	Other local authorities	3,410	-	3,410
2,076	-	2,076	NHS bodies	1,096	-	1,096
38,414	-	38,414	Sub total public sector bodies	36,920	-	36,920
Sundry debtors:						
2,788	(1,680)	1,108	HRA tenants	3,283	(2,377)	906
47,183	(11,428)	35,755	Other entities and individuals	47,787	(11,618)	36,169
8,473	(5,880)	2,593	Local Tax payers	8,964	(7,269)	1,695
58,444	(18,988)	39,456	Sub total sundry debtors	60,034	(21,264)	38,770
96,858	(18,988)	77,870	Total debtors	96,954	(21,264)	75,690

Note 19 Creditors

These consist of amounts owed to Government and other public bodies and all unpaid sums for goods and services provided as at 31 March.

At 31 March 2022		At 31 March 2023
£'000		£'000
(308)	Central government bodies	(3,915)
(37,956)	Grants Received in Advance	(4,562)
(11,297)	Other local authorities	(12,030)
(721)	NHS bodies	(840)
(43,297)	Other entities and individuals	(41,558)
(1,093)	Local Tax payers	-
(94,672)	Total	(62,905)

Note 20 Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements:

At 31 March 2022		At 31 March 2023
£'000		£'000
39	Cash held by the authority	29
5,428	Bank current accounts	1,171
5,467	Sub total cash and cash equivalents	1,200
-	Bank overdraft	-
5,467	Total	1,200

Note 21 Provisions

Provisions have been established for the following purposes:

	Balance b/fwd 1 April 2022	Additional provisions made in 2022/23	Amounts used in 2022/23	Unused amounts reversed in 2022/23	Balance c/fwd 31 March 2023
	£'000	£'000	£'000	£'000	£'000
Provisions					
a) NNDR Appeals	(2,267)	2,120	3,805	(5,289)	(1,631)
b) Insurance Claims	(3,013)	-	-	1	(3,012)
c) Potential Employee Litigation	(210)	-	-	210	-
d) Disputed Social Care Supported Living Costs	(998)	-	998	-	-
e) Municipal Mutual Insurance Liability	(861)	-	-	567	(294)
f) Water and Sewage Claims	(27)	-	-	27	-
g) General Adult Social Care	(95)	-	95	-	-
h) Energy from Waste	-	(1,135)	-	-	(1,135)
Total	(7,471)	985	4,898	(4,484)	(6,072)

- a. The provision for NNDR appeals is to cover potential appeal losses and backdated appeal costs (i.e. court costs) in respect of the Collection Fund at 31 March 2023.
- b. A provision for the total outstanding internal reserve (excluding department contributions) for all incurred and reported claims.
- c. A provision of £0.210m is included in the accounts to cover general employment related matters which could involve the Council incurring costs. This provision had remained the same since 2016/17, and has now been resolved
- d. This provision covered potential costs of clients in supported living placements where identification of the ordinary residence is in dispute. It has now been settled.

Note 21 Provisions (continued)

- e. Municipal Mutual Insurance Limited (MMI) insured many public sector authorities before it ceased underwriting operations in September 1992. Most of MMI's public sector members elected to participate in the Scheme of Arrangement and effectively became scheme creditors.

The MMI Scheme of Arrangement was triggered in late 2012 when the Directors determined that a solvent run-off without triggering the Scheme was unlikely. The Scheme Administrator instituted a 15% Levy that was collected from Scheme Members in early 2014; this Levy was designed to extinguish MMI's balance sheet deficit as at 30 September 2013. In April 2016, MMI instituted a second 10% Levy bringing the total from inception to 25% or £0.866m. At that point, Scheme Members also became self-insured for 25% of every future claim payment.

The Council's insurance actuary, Marsh, carried out an insurance fund review as at 31 March 2023. They recommended a

provision of £0.294m based on the current Levy applied to their projection of potential incurred by not reported claims and the self-insured element of outstanding claims.

- f. A High Court ruling, published in March 2016, established that a London Borough had, for several years, not passed on discounts to its tenants for water and sewerage charges. This ruling was upheld by the courts in 2020 following a challenge by the Royal borough of Kingston Upon Thames.

The discounts were granted under an agreement with the water company and acted as an administration fee for collection of charges on behalf of the water authority. The result of this ruling is that local authorities and housing associations, including Sutton, may face claims from tenants for overpaid water charges. All current tenants were reimbursed in 2020-21. Former residents have now been reimbursed and the council considers any

future potential claims as unknown and immaterial

- g. A general provision for Adult Social Care was established in 2016/17 for potential pay out to agencies to cover sleep in care which is now covered by minimum wage legislation regardless of whether a carer was actually asleep or awake. The remaining liability is unknown and not considered to be material.
- h. Changes in the Climate Change Levy (CCL) in 2015 removed the Levy Exemption Certificate subsidies from facilities producing renewable energy, and this change has a financial consequence to the council's energy recovery facility operator's anticipated income from the sale of electricity. This provision is to cover the potential liability that has arisen although the council will seek to minimise this through legal advice and contract negotiation.

Note 22 Cash Flows from Operating Activities

The cash flows for operating activities include the following items:

2021/22		2022/23
£'000		£'000
542	Interest received	2,248
(10,341)	Interest paid	(11,216)
(9,799)	Total	(8,968)
Adjust net surplus or deficit on the provision of services for non-cash movements		
19,472	Depreciation	20,999
(8,904)	Impairment and downward revaluations	(17,399)
2,028	Amortisation	1,971
29,754	(Increase) / decrease in creditors	(29,883)
(16,183)	Increase / (decrease) in debtors	2,965
(6)	Increase / (decrease) in inventories	6
24,968	Movement in Pension Liability	23,364
(25,569)	Other non cash items charged to the net surplus or deficit on the provision of services	(133)
25,598	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,351
51,158	Sub total of non-cash movements	5,241
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
(37,567)	Capital Grants credited to surplus or deficit on the provision of services	(27,565)
(7,118)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(8,942)
25,341	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	17,504
(19,344)	Sub total of adjustments included in the net surplus or deficit on the provision of services that are investing or financing activities	(19,003)
31,814	Total cash flows from operating activities	(13,762)

Note 23 Cash Flows from Investing Activities

2021/22		2022/23
£'000		£'000
(75,809)	Purchase of property, plant and equipment, investment property and intangible assets	(41,898)
-	Purchase of short term and long term investments	-
7,118	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,942
(14)	Other payments from investing activities	-
38,819	Other receipts from investing activities	32,517
(29,886)	Total cash (inflow)/outflow from investing activities	(439)

Note 24 Cash Flows from Financing Activities

2021/22		2022/23
£'000		£'000
627	Cash receipts of short and long term borrowing	-
(1)	Other receipts from financing activities	-
-	Repayment of short term and long term borrowing	(7,208)
1,000	Other payments for financing activities	2,102
1,626	Total cash (inflow)/outflow from financing activities	(5,106)

Note 25 Officers Remuneration and Exit Packages

This table gives the number of employees whose remuneration, excluding pension contributions but including redundancy payments, was £50,000 or more in bands of £5,000. These figures include those senior officers who are individually disclosed overleaf.

2021/22		Remuneration Band	2022/23	
Schools Employees	Non-Schools Employees	£	Schools Employees	Non-Schools Employees
7	80	50,000 - 54,999	2	79
5	43	55,000 - 59,999	6	51
2	27	60,000 - 64,999	3	31
1	7	65,000 - 69,999	1	13
2	14	70,000 - 74,999	1	13
1	5	75,000 - 79,999	3	12
1	6	80,000 - 84,999	-	5
-	16	85,000 - 89,999	1	19
-	4	90,000 - 94,999	-	1
1	1	95,000 - 99,999	1	3
-	-	105,000 - 109,999	-	1
-	6	110,000 - 114,999	-	4
-	1	115,000 - 119,999	-	-
1	1	120,000 - 124,999	-	1
-	2	130,000 - 134,999	-	1
-	-	140,000 - 144,999	-	-
-	2	145,000 - 149,999	-	2
-	1	150,000 - 154,999	-	-
-	-	160,000 - 164,999	-	1
-	1	185,000 - 189,999	-	1
21	217	Total	18	238

Note 25 Officers Remuneration and Exit Packages (continued)

A senior employee is a person whose salary is more than £150k per year, or whose salary is at least £50k per year and who is the designated head of paid service (the Chief Executive), a statutory chief officer or a non-statutory chief officer (direct reports to the Chief Executive). Remuneration information for these employees is set out in the following two tables:

2022/23	Note	Salary, fees and allowances	Employers pension contributions	Total
		£	£	£
Chief Executive - Helen Bailey		187,169	26,765	213,934
Strategic Director - Resources		162,824	23,284	186,108
Strategic Director - People Services	1	40,600	5,787	46,387
Interim Strategic Director - People Services	1	205,636	-	205,636
Statutory Director - Children's Services	1	99,176	14,169	113,911
Strategic Director of Development, Growth and Regeneration		145,296	20,777	166,174
Strategic Director of Public Health and Wellbeing		130,045	18,596	148,641
Strategic Director of Environment, Housing and Neighbourhoods	2	145,296	20,777	167,068
Monitoring Officer		66,555	9,517	76,072

None of the officers above received bonuses or benefits in kind.

Notes:

1: The Strategic Director - People Services left during the financial year and the role is being covered on an external interim basis, and the Director of Children's Services was appointed

Note 25 Officers Remuneration and Exit Packages (continued)

2021/22	Note	Salary, fees and allowances	Employers pension contributions	Total
		£	£	£
Chief Executive - Helen Bailey		185,244	35,382	220,626
Strategic Director - Resources		145,686	27,867	173,553
Strategic Director - People		143,404	27,384	170,788
Strategic Director of Development, Growth and Regeneration		141,380	27,004	168,383
Strategic Director of Public Health and Wellbeing		122,018	23,305	145,323
Interim Strategic Director of Environment, Housing and Neighbourhoods	2	21,600	-	21,600
Acting Strategic Director - Environment, Housing and Regeneration	2	62,171	11,875	74,046
Strategic Director of Environment, Housing and Neighbourhoods	2	78,854	15,061	93,915
Interim Monitoring Officer	3	30,975	-	30,975
Monitoring Officer	3	51,957	9,924	61,881

None of the officers above received bonuses or benefits in kind.

Notes:

2: The Strategic Director of Environment, Housing and Neighbourhoods role was filled permanently in October 2021. Prior to this, the role had been covered by an internal Acting up arrangements, as well as external interim cover.

3: The Monitoring Officer role was filled permanently in June 2021. Prior to this, the role had been covered on an external interim basis.

Note 25 Officers Remuneration and Exit Packages (continued)

Exit Packages

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£							£	£
0 - 20,000	4	3	10	9	14	12	115,616	91,625
20,001 - 40,000	4	1	2	3	6	4	157,500	107,529
40,001 - 60,000	4	-	-	2	4	2	189,215	91,508
60,001 - 80,000	-	1	-	-	-	1	-	76,084
80,001 - 100,000	-	-	-	-	-	-	-	-
100,001 - 150,000	-	-	-	-	-	-	-	-
150,001 - 200,000	-	-	-	-	-	-	-	-
200,001 - 250,000	1	-	-	-	1	-	248,683	-
Total	13	5	12	14	25	19	711,014	366,746

Note 26 Members Allowances

The Authority paid the following amounts to members of the Council during the year in accordance with the agreed members allowance scheme:

2021/22		2022/23
£'000		£'000
952	Allowances	970
6	Expenses	8
958		978

Note 27 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2022/23 are as follows:

	Central Expenditure	Individual Schools Budget (ISB)	Total
	£'000	£'000	£'000
Final DSG for 2022/23 before Academy recoupment	-	-	254,549
Less Academy figure recouped for 2022/23	-	-	(142,056)
Total DSG after Academy recoupment for 2022/23	-	-	112,493
Plus: brought forward from 2021/22	-	-	1,368
Less: carry forward to 2023/24 agreed in advance	-	-	(1,368)
Agreed initial budgeted distribution in 2022/23	44,720	67,773	112,493
In-year adjustments	(2)		(2)
Final budget distribution for 2022/23	44,718	67,773	112,491
Less actual central expenditure	(45,461)		(45,461)
Less actual ISB deployed to schools		(66,911)	(66,911)
Carry forward to 2023/24	(743)	862	119
Plus : carry -forward to 2023/24 agreed in advance			1,368
Total Surplus as at 31 March 2023			1,487

In 2022/23 the Council was allocated net DSG funding of £112.491m, after academy recoupment and high needs deduction, and a 2021/22 Early Years funding reduction of £0.002m. There is an in-year surplus of £0.119m and a cumulative surplus balance as at 31st March 2023 of £1.487m. The surplus DSG balance of £1.487m will be carried forward and used to support the next year's Schools Budget.

Note 28 Better Care Fund (Pooled Budgets with South West London Clinical Commissioning Group)

The Council (host authority) has entered into a Pooled Budget arrangement, under Section 75 of the National Health Service Act 2006, with South West London Clinical Commissioning Group (CCG) for the provision of Adult Social Care services within the London Borough of Sutton area.

The main purpose of the Better Care Fund is to increase the integration of health and social care through joint commissioning and aligning of resources across the whole health and social care system in order to improve health and wellbeing outcomes for local residents.

The London Borough of Sutton as a host partner is responsible for the pooled budget and the Assistant Director, People Services (Adult Social Care) is the Pooled fund Manager. The monitoring of the use of the pool is undertaken by the BCF Finance Sub-Committee on a quarterly basis, with a highlight report being presented to the BCF stakeholders on a monthly basis as well as twice a year a summary of expenditure is reported to the Health and Wellbeing Board.

At 31 March 2023 the 2022/23 outturn position was a £0.791m underspend and will be carried forward as funding for 2023/24.

31 March 2022		31 March 2023
£'000		£'000
Funding:		
(2,639)	Underspend brought forward from previous year	(3,342)
(7,304)	London Borough of Sutton	(7,131)
(14,637)	NHS South West London ICB	(15,009)
	Additional funding NHS SWL ICB	(960)
(24,580)	Total Funding	(26,442)
Expenditure:		
7,304	London Borough of Sutton	7,585
13,662	NHS SWL ICB	14,724
429	Spend of reserve balance	3,342
21,395	Total Expenditure	25,651
(3,185)	Total underspend to be carried forward	(791)

Note 29 Related Parties

The Council is required to disclose material transactions with related parties - bodies and individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Central Government

Government has significant influence over the general operations of the Council and is responsible for providing the statutory framework within which the Council operates. It provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax, Housing Benefits). Grants received from Government departments are set out in Note 9.

South London Waste Partnership

The Authority is a partner in the South London Waste Partnership, a joint committee established in September 2007 to secure waste establishment treatment and disposal services for the London Boroughs of Croydon, Merton and Sutton and the Royal Borough of Kingston. Kingston is the lead borough for procurement, payments totalling £0.58m in 2022/23 are included in the Comprehensive Income and Expenditure Account as paid to Kingston. Croydon also shares some of the procurement activities.

Members

Members of the Council have direct control over the Council's financial and operating policies.

Following disclosures received from Members and a review of the register of interests, there are third party organisations that Members have declared interests in. Details of those declarations which are material to these accounts are shown in the table below:

Organisation	Nature of Transactions	2021/22	2022/23
		£'000	£'000
Community Action	Grant and Various payments	529	1,397
Encompass - Empty Homes scheme	Rent for Self contained flats	12	12
Epsom & Ewell Borough Council	Nonsuch Committee Joint Management	103	107
Local Government Information Unit	Subscriptions	-	16
Volunteer Centre Sutton	Contract Payments	-	15

Subsidiaries of London Borough of Sutton:

Opportunity Sutton

The London Borough of Sutton's Opportunity Sutton programme was launched in 2012 to provide a focus for economic development in the borough. The Opportunity Sutton programme is based within the Environment, Housing, and Regeneration service but its success lies in a whole Council approach for the vision. Opportunity Sutton has two sub companies, Sutton Living Ltd and Sutton Decentralised Energy Network Ltd which are detailed below.

Sutton Living Ltd.

This is a local housing company established by Sutton Council to increase the housing supply and choice of housing for local residents. At 31 March 2022, the balance on the loan from the Council to Sutton Living Ltd towards the development of the Wallington Public Hall was £6.454m after principal repayment of £3.067m in the 2022/23 financial year. Further information is available on the company's website <https://suttonliving.co.uk/>

Sutton Decentralised Energy Network Ltd.

This is a company wholly owned by the London Borough of Sutton. Set up in 2016, SDEN aims to deliver heating and hot water to residents and businesses across South London. The Council provided a loan facility of £2.768m to SDEN for the construction of the heat infrastructure which is currently supplying 678 clients with heating and water. Further information is available on the company's website <http://sden.org.uk/>

Note 29 Related Parties (continued)

Sutton Housing Partnership

Sutton Housing Partnership (SHP) is a wholly owned subsidiary of the London Borough of Sutton. It was created to manage and improve the Council's housing stock and estates. It has the responsibility for managing approximately 7,400 homes for the Council. It is managed by a board of 12 members made up of 4 council nominees, 3 tenants, 1 leaseholder and 4 independent community representatives with professional skills and experience to help oversee the running of the services.

Management fees totalling £17.562m (2022: £16.949m) were paid to SHP. Services provided and charged to SHP amounted to £1.032m (2022: £0.874mm). Balance owing to SHP(excluding VAT) as at the year-end was £1.166m, (2022: £1.170m)

An audited copy of SHP's 2022/23 accounts is available to be downloaded from their website, www.suttonhousingpartnership.org.uk

Encompass LATC Ltd

Encompass is a wholly owned subsidiary of the London Borough of Sutton. It is responsible for delivering a comprehensive range of services including Advice and Information, Homelessness Prevention, Choice Based Lettings, Landlord Services, Support Brokerage, Shared Lives, Business Development and Support, and Digital Innovation. The London Borough of Sutton paid Encompass £6.156m,(2021/22 £5.068m). Further information is available on the company's website <https://www.encompass-latc.co.uk/>

Cognus Ltd

Cognus provides Speech Language and Communication and Occupational Therapy Support. The team works with schools to identify and support children and young people with speech language and communication and occupational therapy needs. London Borough of Sutton owns 100% of Cognus Ltd. Payments to Cognus for commissioning agreements amounted to £4.782m (£3.129m funded from General fund (GF) and £1.653m from DSG). Other payments of £1.205m for provision of speech and language therapies. Further information is available on the company's website. <https://cognus.org.uk/>

Shared Service Arrangements with Other Local Authorities

As part of the Council's response to the changing financial environment in which local authorities operate, a number of shared service arrangements with other local authorities are in operation.

- **Human Resources** – from 1 May 2016 the Council's Human Resources service entered into a shared service arrangement with the Royal Borough of Kingston. The service is hosted by Kingston and includes recruitment, employment contracts, advice on terms and conditions, payroll, employee relations, advice, provision of learning and development as well as occupational health and health and safety.
- **Pensions Administration Service** – On 1 April 2016 the Council entered into a shared service with the Royal Borough of Kingston for

its Pension Administration service. The London Borough of Sutton is the host authority.

- **ICT** – the Council entered into a joint service for ICT with the Royal Borough of Kingston on 1 May 2013. The joint service is providing greater ICT infrastructure resilience as well as shared expertise to drive out further savings and provide a better quality service.
- **Internal Audit Shared Service** – Internal Audit and Investigations work is provided via a shared service with the London Boroughs of Richmond, Wandsworth and Merton and the Royal Borough of Kingston. The employing authority for the service is Richmond. This service is providing shared expertise and a wider resilience for the member boroughs.
- **Legal** – The London Borough of Sutton is part of the South London Legal Partnership with the London Boroughs of Richmond and Merton, and the Royal Borough of Kingston.
- **Environmental Services** – In 2016 the Royal Borough of Kingston and the London Borough of Sutton set up a Shared Environment Service (SES), which includes environmental health, trading standards, sustainable transport and highways and transport.
- **Finance and Customer Contact Centre** – The London Borough of Sutton entered into two joint services with the Royal Borough of Kingston on 1 April 2017 for these two services.

Note 30 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Councils external auditors. Public Sector Audit Appointments has appointed Grant Thornton UK LLP as the external auditor for 2022/23.

2021/22		2022/23
£'000		£'000
161	Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	126
38	Fees payable to Grant Thornton for certification of Housing Benefit for the year	38
14	Fees Payable for teachers pension claim and pooling of housing capital receipts	14
212	Total for Sutton Council	177
-	Fee payable by Sutton Housing Partnership (SHP) for external audit services	-
-	Other audit costs (SHP)	-
212	Total audit fee for group	177

Note 31 Defined Benefit Pension Scheme

a) Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits under two schemes:

- Teachers employed by the authority are members of the Teachers' Pension Scheme, a defined benefit scheme administered nationally by the Teachers' Pension Agency. It provides teachers with defined benefits upon their retirement, and although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the authority's contribution rates. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees.

The Authority's employer contributions percentage remains 23.68% of pensionable pay. In 2021/22 the employers contribution amounted to £6.605m and the employees contribution was £2.665m (employers £6.847m and employees £2.747m in 2020/21). The Authority is also responsible for a proportion of the annual pension and lump sum for teachers taking early retirement. The cost to the Council's DSG in 2021/22 totalled £0.475m (£0.501m in 2020/21).

- The London Borough of Sutton participates in the Local Government Pension Scheme, a defined benefit scheme based on final pensionable salary, and from 1 April 2014, career average revalued earnings (CARE). The scheme is a funded scheme meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The valuation of the fund and assessment of employer contribution rates is carried out by an independent actuary. The most recent formal valuation was carried out as at 31 March 2019. This has been updated on an informal basis by the Council's actuary, Barnett Waddingham, to take account of the requirements of IAS19 in assessing the liabilities of the Fund as at 31 March 2021 as set out below. Pension Fund regulations require formal actuarial valuations to be prepared every three years and the next valuation will be based on the financial position of the fund as at 31 March 2022 and will be reported in the following year.

b) Transactions Relating to Retirement Benefits

Although the benefits earned by employees will not actually be payable until employees retire, the Authority has a commitment to account for such payments at the time the employees earn their future entitlement. The financial statements

therefore recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against council tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement.

As a result the following transactions have been made in the Comprehensive Income and Expenditure Statement Movement in Reserves Statement during the year:

c) Prepayment of Pension Fund deficit

During 2020/21 the Council took the decision to make a £11.45m pre-payment towards the LGPS pension deficit, which reduced the Council's liability to the pension deficit shown in the "long term liabilities" section of the balance sheet. By making an early payment to the pension fund, revenue savings will be achieved by the council during the subsequent three year period, reducing the deficit contribution amount required from the council over this period.

The pension deficit amount will be charged to the General Fund Reserve balance over the three year period set out in the actuary's certificate.

Note 31 Defined Benefit Pension Scheme (continued)

2021/22	Comprehensive Income and Expenditure Statement	2022/23
£'000		£'000
	Service cost comprising:	
32,285	- Current service cost	26,047
270	- Past service cost	69
(2,142)	- (gain)/loss from settlements	-
30,413		26,116
7,736	Net interest expense	9,229
648	Administration expenses	577
38,797	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	35,922
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
(31,593)	- Return on plan assets (excluding the amount included in the net interest expense)	53,933
50	- Actuarial (gains) and losses arising on changes in demographic assumptions	(21,252)
-	- Other Actuarial (gains) and losses arising on assets	-
8,251	- Experience (gains) / losses on defined benefit obligation	22,680
(45,282)	- Actuarial gains and losses arising on changes in financial assumptions	(317,310)
(68,574)	Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(261,949)
(29,777)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account	(226,027)
	Movement in Reserves Statement	
(38,797)	Reversal of net charges made to the (Surplus) or Deficit on the provision of Service for Post Employment Benefits in accordance with the Code	(35,922)
17,645	Actual amount charged against the General Fund balance for pensions in year - Employers' contributions payable to scheme	16,336

Note 31 Defined Benefit Pension Scheme (continued)

c) Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligations in respect of its defined benefit plan is as follows:

2021/22		2022/23
£'000		£'000
988,180	Present value of defined benefit obligation	686,544
(653,147)	Fair value of plan assets	(590,096)
335,033	Net Liability arising from defined benefit obligation	96,448

d) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Barnett Waddingham, an independent firm of actuaries, with estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2022.

The main assumptions used by the actuary in calculations have been:

2021/22		2022/23
%		%
3.2	Rate of Inflation	3.0
4.2	Rate of Increase in Salaries	3.0
3.2	Rate of Increase in Pensions	3.0
7.1	Rate of Return on Assets	5.6
2.7	Rate for Discounting Scheme Liabilities	4.8
50.0	Take-Up of Option to Convert Annual Pension into Retirement Lump Sum	
Years		Years
21.4	Longevity at 65 for Current Pensioners - Men	21.8
24.1	Longevity at 65 for Current Pensioners - Women	24.5
22.9	Longevity at 65 for Future Pensioners - Men	22.9
25.8	Longevity at 65 for Future Pensioners - Women	25.8

Note 31 Defined Benefit Pension Scheme (continued)

2021/22		2022/23
% of Fund		% of Fund
52	Equities	50
17	Bonds	11
-	Property	-
3	Cash	4
4	Infrastructure	7
24	Other	27
100	Total Fund	100

Note 31 Defined Benefit Pension Scheme (continued)

e) Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2021/22		2022/23
£'000		£'000
1,000,946	Balance at 1 April	988,180
32,933	Current Service Cost	26,624
20,041	Interest Cost	26,714
3,889	Contributions by Members	4,285
50	Actuarial (gains)/losses arising from changes in demographic assumptions/other experience	(21,252)
(45,282)	Actuarial (gains)/losses arising from changes in financial assumptions	(317,310)
270	Past Service Cost	69
(29,061)	Benefits Paid	(27,141)
(3,857)	Liabilities extinguished on settlements	-
8,251	Experience loss/(gain) on defined benefit obligation	6,375
988,180	Balance at 31 March	686,544

Note 31 Defined Benefit Pension Scheme (continued)

f) Reconciliation of Movements in the Fair Value of the Scheme (Plan) Assets

2021/22		2022/23
£'000		£'000
622,308	Balance at 1 April	653,147
12,305	Interest income	17,485
	Remeasurement gain/loss:	
31,593	- The return on plan assets, excluding the amount included in the net interest expense	(53,933)
13,828	Contributions from employer	12,558
3,889	Contributions from employees into the scheme	4,285
(29,061)	Benefits Paid	(27,141)
(1,715)	Other	(16,305)
653,147	Balance at 31 March	590,096

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy.

Expected yields on fixed interest investments are based on gross redemption yields as at the start of the accounting period.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Note 31 Defined Benefit Pension Scheme (continued)

g) Local Government Scheme assets comprised:

Asset values shown in the tables below are based on estimated values and asset allocations as at 31 March 2022. These values have been used by the Council's actuaries for the purpose of IAS19 reporting, actual asset values at 31 March 2022 are shown in the Pension Fund Accounts.

2021/22		2022/23
£'000		£'000
18,962	Cash and Cash Equivalents	25,407
335,923	Equities	297,199
111,123	Bonds	67,218
-	Property	-
27,328	Infrastructure	42,249
-	Absolute Return Portfolio	-
159,811	Other	158,023
653,147		590,096

Note 31 Defined Benefit Pension Scheme (continued)

Further details of the assets are shown below for 2022/23, where each asset class has been split according to those that have a quoted market price in an active market and those that do not and whether those assets represent UK or overseas holdings.

2022/23	Quoted	Unquoted	Total	Percentage of Total Assets
	£'000	£'000	£'000	%
Cash and cash equivalents		25,407	25,407	5
Equities				
- UK	297,199		297,199	50
- Overseas				-
Bonds				
Fixed Interest Government Securities				
- UK	67,218		67,218	11
- Overseas				-
Index Linked Government Securities				
- UK				-
- Overseas				-
Corporate Bonds				
- UK				-
- Overseas				-
Property				-
Infrastructure		42,249	42,249	7
Other		158,023	158,023	27
Total	364,417	225,679	590,096	100

Note 31 Defined Benefit Pension Scheme (continued)

h) Scheme History

	31 March 2019	31 March 2020	31 March 2021	31 March 2022	31 March 2023
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	884,645	807,451	1,000,946	988,180	686,544
Fair Value of Assets	(527,697)	(494,737)	(622,308)	(653,147)	(590,096)
Deficit	356,948	312,714	378,638	335,033	96,448

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net liability of £331.255m (based on IAS19 assumptions) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet.

In practice, the deficit (based on long term funding assumptions, which will differ from IAS19 assumptions) will be made good over a recovery period to 2040, as assessed by the Council's actuary.

i) History of Experience Gains and Losses

The related experience gains and losses for 31 March 2023 and earlier years are as follows:

	31 March 2019	31 March 2020	31 March 2021	31 March 2022	31 March 2023
	%	%	%	%	%
On assets as % of Fair Value	-	2	(2)	(1)	(4)
On liabilities as % of Present Value	-	1	(1)	(1)	(3)

Note 31 Defined Benefit Pension Scheme (continued)

j) Sensitivity Analysis of significant actuarial assumptions

IAS19 requires a sensitivity analysis for each significant actuarial assumption, and how the defined benefit obligation would be affected by a change. These are set out below as at 31 March 2023:

Present value of total obligation at 31 March 2023	+ 0.1%	0.0%	- 0.1%
	£'000	£'000	£'000
Adjustment to discount rate	675,953	686,544	697,135
Adjustment to long term salary increase	687,257	686,544	685,831
Adjustment to pension increases and deferred valuation	696,586	686,544	676,502
Adjustment to life expectancy assumptions	714,006	686,544	659,082

Note 32 Leases

Authority as Lessor - Operating Leases

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2022		31 March 2023
£'000		£'000
10,378	No later than one year	11,092
28,982	Later than one year but no later than five years	27,738
89,671	Later than five years	100,032
129,031	Total Operating Lease Income	138,862

Note 32 Leases (continued)

The income above is arising from leases of various commercial property, which is credited to the Council's CIES over the life of the lease. The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Note 33 Contingent Liabilities

The Council has a contingent liability in respect of

1. a guarantee provided to the City of London Pension Fund for the pension liabilities of the London CIV.
2. a number of pension guarantee arrangements:
 - 2.1. When staff transfer to one of its Local Authority Trading Companies (SHP, Encompass, Cognus), they are guaranteed retention of their LGPS pension.
 - 2.2. where staff have transferred to other employers, they also have been guaranteed entry into Sutton's Local Government Pension Scheme.

Should these companies experience financial distress or failure, there is a chance that the Council could incur a liability. There are provisions to get collateral, or security on that potential default through way of a bond, or surety from a building, when the company becomes admitted. However an expected risk remains to the Council arising from those companies' performance.

These risks are declared as contingent liabilities as it is Management's view that they are very low and do not result in a future liability that is probable or measurable.

There are no known material contingent assets as at 31 March 2022. There are no outstanding contractual commitments and no material non-adjusting events occurred subsequent to the period end.

Note 34 Events after the Balance Sheet date

The statement of accounts is adjusted to reflect events after the Balance Sheet date, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue that provide evidence of conditions that existed at the end of the reporting period, unless deemed insignificant to the true and fair view of the council's assets and liabilities. Those events taking place after the date of authorisation for issue will not be reflected in the statement of accounts.

At the date of authorisation the Council is not aware of any events that would require adjustment to these statements.

6. Housing Revenue Account (HRA)

Income and Expenditure Statement - this shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

Statement of Movement on the Housing Revenue Account Balance - this shows the increase or decrease in the year, on the basis of which rents are raised



Housing Revenue Account (HRA) Income and Expenditure Statement

2021/22	HRA Income and Expenditure Statement	Notes	2022/23
£'000			£'000
Expenditure			
16,299	Sutton Housing Partnership management fee		17,496
2,930	Other operating costs		3,595
286	Rents, rates, taxes and other charges		240
7,076	Depreciation of fixed assets	9	8,515
	Impairment costs - revaluations and disposals		
318	Increase in bad debt provision		390
26,909	Total Expenditure		30,236
Income			
(35,532)	Gross rent from Council dwellings		(37,173)
(492)	Gross non dwellings rent		(494)
(3,281)	Charges for services and facilities		(3,309)
(15,121)	Revaluation Gains		(17,632)
-	Contributions towards expenditure		(172)
(54,426)	Total Income		(58,780)
(27,517)	Net Cost of HRA Services		(28,544)
-	Add HRA services share of Corporate and Democratic Core		
(27,517)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(28,544)

Housing Revenue Account (HRA) Income and Expenditure Statement (continued)

2021/22	HRA Income and Expenditure Statement	2022/23
£'000		£'000
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
7,625	Interest payable and similar charges	7,820
(56)	Interest and investment income	(346)
(7,398)	Capital Grants and Contributions received	(13,720)
(4,461)	(Profit)/Loss on disposal of non current assets	(5,112)
43	Pensions interest cost and expected return on pension assets	58
(31,764)	Surplus for the Year on HRA Services	(39,844)

Statement of Movement on the Housing Revenue Account Balance

2021/22	Statement of Movement on the Housing Revenue Account Balance	2022/23
£'000		£'000
(5,148)	Balance on the Statutory HRA at the end of the previous year	(10,162)
(31,764)	Surplus on the HRA Income and Expenditure Account for the year	(39,844)
	Adjustments between accounting basis and funding basis under statute:	
	Amounts included in the HRA Income and Expenditure Account but required to be excluded when determining the HRA Surplus or Deficit for the year	
(224)	- Net Charges made for Retirement Benefits in Accordance with FRS17	(222)
4,461	- Profit on disposal of non current assets	5,112
-	- Impairment Costs and Disposals	-
7,398	- Capital Grants and Contributions received in year	13,720
15,121	- Revaluation Gains in year	17,632
	Amounts not included in the HRA Income and Expenditure Account but required to be included when determining the HRA Surplus or Deficit for the year	
78	- Employers Contributions Payable to the Pension Fund	80
(4,930)	Net increase before transfers to or from reserve	(3,522)
	Transfer to the Major Repairs Reserve	-
(118)	Transfers to / (from) Council Risk Reserve	-
34	Transfers to/ (from) Hillcroombe & Harrow Reserve	13
-	Transfer to Hostel Services Reserve	-
(10,162)	Balance on the Statutory HRA Reserve Carried Forward	(13,671)
(530)	Heating Reserve - Accumulated Surplus	(530)
(34)	Hillcrombe & Harrow Reserve	(47)
(46)	Hostel Services Reserve - Accumulated Surplus	(46)
(10,772)	Total HRA Balances and Reserves	(14,294)

Notes to the Housing Revenue Account

HRA 1. Sutton Housing Partnership Limited (SHP)

Housing services for Sutton Council's tenants and leaseholders are managed by an arms length management organisation (ALMO) named Sutton Housing Partnership Ltd. Sutton Housing Partnership is managed by a Board of Directors, which includes four tenants and leaseholders, four independent community representatives and four Council nominees. Ownership of the housing stock remains with the Council.

SHP prepares its own Statement of Accounts that is distinct from the Housing Revenue Account Statement presented above.

The statement above includes London Borough of Sutton income and expenditure.

The costs incurred by SHP in operating the arms length management organisation, including repairs and maintenance, are shown in the HRA Income and Expenditure account under the heading "Sutton Housing Partnership Management Fee".

HRA 2. Balance Carried Forward

A HRA Reserve balance of at least 5% of income is considered necessary to provide a sound level of prudence. The current balance at 31 March 2023 of £13,670,844 (£10,161,745 at 31 March 2022) equates to 33% of income.

In addition the HRA carries a Heating Reserve of £576,198 which holds the net balance of tenants' charges and recoveries for heating and hot water and will be used to help smooth future price volatility. Surplus service charges on the Council's Hillcroome Road / Harrow Road properties are held in reserve against future expenditure, currently £47,045 at 31.3.2023 (£34,483 at 31.3.2022).

HRA 3. Housing Stock

At 31 March 2023 the Council owned and managed 6,032.5 tenanted dwellings plus it manages a further 1,367 leasehold properties. The Council also owned a proportion of 8 equity share/shared ownership dwellings, being the equivalent of 4.5 fully-owned dwellings.

Total 2021/22		Bedsits	Flats	Houses	Total 2022/23
6,019	Dwellings at 1 April	184	3,131	2,730	6,045
-	Demolitions / Transfers	-	-	-	-
(34)	Right-to Buy Sales	-	(21)	(20)	(41)
60	Other Disposals	-	-	-	-
-	Acquisitions	-	10	19	29
-	Net changes through change of use or refurbishment	-	-	-	-
6,045	Dwellings at 31 March	184	3,120	2,729	6,033

HRA 4. Stock Valuation

The latest Council Dwellings valuation is at the 31 March 2023. The following valuations are included in the Council's balance sheet:

Balance Sheet Valuation of HRA Assets:

At 31 March 2022		At 31 March 2023
£'000		£'000
	Operational Assets:	
473,578	Council Dwellings	492,015
7,041	Other Land and Buildings	7,601
5	Investment Properties	5
480,624	Total	499,621

This valuation reflects the use of HRA dwellings as tenanted stock. The vacant possession value on the balance sheet at 31 March 2023 is £1.956m. The balance sheet valuation (£492m) after applying the 25% social housing factor for London, i.e. a reduction of 75%) is considerably lower because dwellings are tenanted and the rents charged reflect that the properties are used to provide social housing, and discounts are available to tenants who purchase their dwelling under the statutory Right-to-Buy scheme.

HRA 5. Major Repairs Reserve

The reserve is credited with an amount equivalent to the depreciation for Council Dwellings charged to the HRA each year. The reserve is only available for financing major repairs carried out to the housing stock. Any sums unspent are carried forward for use in future years.

2021/22		2022/23
£'000		£'000
(5,976)	Balance at 1 April	(3,282)
(7,010)	Major Repairs Allowance (MRA) received	(8,427)
(66)	Depreciation on non-dwellings	(88)
9,704	MRA used on capital projects	7,744
66	Transfer to Statement of Movement on HRA balance	(64)
(3,282)	Balance carried forward at 31 March	(4,117)

HRA 6. Capital Financing

2021/22		2022/23
£'000		£'000
38,510	HRA Capital Expenditure	21,782
	Financed by:	
(21,689)	Borrowing	(7,999)
(9,704)	Major Repairs Reserve	(7,744)
(156)	Revenue Contributions	-
(142)	Right to Buy receipts	(54)
(260)	Leaseholders Contributions	(220)
(105)	S106 Contribution	(2)
(6,454)	Grants	(5,763)
(38,510)	Total Financing	(21,782)

HRA 7. Capital Receipts

2021/22		2022/23
£'000		£'000
(6,796)	Right to Buy Sales	(6,429)
(197)	Other Disposals	(297)
(6,993)	Total	(6,726)

HRA 8. Revenue Contribution to Capital Outlay (RCCO)

2021/22		2022/23
£'000		£'000
(9,032)	Balance at 1 April	(8,876)
-	RCCO Existing Stock	-
-	RCCO used on capital projects - Existing Stock	-
156	RCCO used on capital projects - New Build	-
(8,876)	Balance carried forward at 31 March	(8,876)

HRA 9. Depreciation

The Council's depreciation policy is to write down asset values over their estimated life, on a straight line basis. For Council dwellings, depreciation is based on componentisation of housing stock. On this basis depreciation for 2022-23 equates to £8.5m and has been posted to the HRA Income and Expenditure Statement.

2021/22	Depreciation	2022/23
£'000		£'000
	Operational Assets:	
(7,010)	Council Dwellings	(8,427)
(66)	Other Land and Buildings	(88)
(7,076)	Total	(8,515)

HRA 10. Impairment

There has been no impairment charge during 2022/23.

HRA 11. Contributions to and from the Pension Reserve

The HRA is required to be charged with a share of the contribution made by the Local Authority towards the cost of retirement benefits. Although the benefits earned by employees will not actually be payable until employees retire, the Authority has a commitment to account for such payments at the time the employees earn their future entitlement. The financial statements therefore recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge made against the HRA is based on cash payable in the year, so the real cost of retirement benefits is reversed out of the Statement of Movement on the HRA balance.

HRA 12. Rent and Service Charge Arrears

Rent and service charge arrears at 31 March 2023 totalled £1.363m as compared to £0.832m at 31 March 2022. As a proportion of gross rent and service income, this represents 3.3% (2.1% in 2021/22). These arrears include charges due from tenants for rent, heating and hot water, garages and other tenancy related charges.

Total provision for uncollectible rent and service debt totalled £2.082m at 31 March 2023 compared to £1.762m at 31 March 2022

At 31 March 2022	Tenant Rent and Service Charge Arrears	At 31 March 2023
£'000		£'000
2,122	Current Tenant Arrears	2,392
666	Former Tenant Arrears	890
2,788	Total	3,283
(1,956)	Accounts in credit	(1,919)
832	Net Arrears	1,363
Provision included in the accounts for potential bad debts at 31 March:		
(1,762)	Tenants rent and heating charges	(2,082)
(1,762)	Total Bad Debt Provision	(2,082)

HRA 13. Provisions

A High Court ruling, published in March 2016, established that a London Borough had, for several years, not passed on discounts to its tenants for water and sewerage charges. This ruling was upheld by the courts in 2020 following a challenge by the Royal Borough of Kingston.

The discounts were granted under an agreement with the water company and acted as an administration fee for collection of charges on behalf of the water authority. The result of this ruling is that local authorities and housing associations, including Sutton, are required to reimburse tenants for the overpaid water charges.

The number of claims against this provision have gradually reduced with none this year. In light of this, the provision of £0.027m is now removed as the claims are of low value and can be covered from revenue budgets should any occur in the future.

7. Collection Fund

This is the Council's statement in its capacity as an agent that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund account. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.



Collection Fund Income and Expenditure Account 2022/23

2021/22			Note	2022/23		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
Income						
	(137,447)	(137,447)			(143,731)	(143,731)
(48,333)		(48,333)	Income Collectable from Business Ratepayers	4	(50,558)	(50,558)
(1,145)		(1,145)	Income Collectable in respect of Business Rate Supplement		(1,383)	(1,383)
		-	Transition payment from Central Government		276	276
264		264	Amounts retained in respect of Renewable Energy schemes		264	264
		-	Grants - Hardship grant receipts			-
(49,214)	(137,447)	(186,661)	Total Income		(51,401)	(143,731)
						(195,132)
Expenditure						
Precepts, Demands and Shares:			3			
17,467	108,109	125,576	London Borough of Sutton	15,240	112,960	128,199
21,543	26,335	47,878	Greater London Authority	18,795	29,063	47,859
19,214	-	19,214	Central Government	16,763		16,763
187	-	187	Business Rates Costs of Collection	184		184
1,139	-	1,139	Cross Rail Precept Payment to Greater London Authority	1,377		1,377
6	-	6	Cross Rail Costs of Collection	6		6
Charges to Collection Fund:						
-	-	-	Write-off uncollectable amounts			-
(788)	200	(588)	Increase/(decrease) in allowance for impairment	771	1,983	2,754

Collection Fund Income and Expenditure Account 2022/23 (continued)

2021/22			Note	2022/23		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
Charges to Collection Fund (continued)						
239		239	Increase/(decrease) in allowance for appeals	(2,120)		(2,120)
(47)		(47)	Transition Payment to Central Government			-
Contributions Prior Year (Deficit)/Surplus:						
(8,842)	(825)	(9,667)	London Borough of Sutton	(4,042)	1,437	(2,605)
(11,137)	(192)	(11,329)	Greater London Authority	(4,985)	357	(4,628)
(9,927)		(9,927)	Central Government	(4,446)		(4,446)
29,054	133,627	162,681	Total Expenditure	37,544	145,801	183,344
(20,160)	(3,820)	(23,980)	Total Income Less Expenditure	(13,858)	2,069	(11,788)
Movements on the Collection Fund:						
35,879	2,695	38,574	(Surplus) / Deficit brought forward at 1 April	15,717	(1,124)	14,593
(20,162)	(3,820)	(23,982)	(Surplus) / Deficit for year	(13,858)	2,069	(11,788)
15,717	(1,125)	14,592	(Surplus) / Deficit carried forward at 31 March	1,859	945	2,805
Distribution of Fund Balance						
4,701	(879)	3,822	London Borough of Sutton	544	770	1,314
5,807	(245)	5,562	Greater London Authority	679	175	854
5,209		5,209	Central Government	636		636
15,717	(1,124)	14,593	Total Allocation of Fund Balance	1,859	945	2,804

Notes to the Collection Fund

CF 1. General

The Council, as a billing authority, is statutorily required to maintain a separate Collection Fund account as agent into which all transactions relating to collection of business rates and council tax income from taxpayers and distribution to local government bodies and central government are made. The Collection Fund account is accounted for separately from the General Fund. Collection Fund surpluses or deficits declared by the billing authority on the council tax income and distributions are apportioned to the relevant precepting body in the following financial year in proportion to each body's Band D Council Tax amount. Business rate surpluses or deficits are distributed in accordance with the relevant proportions set out in the localised business rate regulations.

CF 2. Council Tax

The basic amount of Council Tax due for a property is derived by multiplying the Council Tax for a Band D property (£1,933.12 in 2022/23, split London Borough of Sutton £1,537.53 and GLA £395.59) by the ratio applicable to the property.

The Council Tax Base is affected by the Council Tax Reduction Scheme which treats council tax support as a discount to Council Tax. This together with technical changes to other discounts resulted in the Council Tax Base being set by the Strategic Director - Resources, under delegated authority, at 73,467.8 Band D equivalents, compared to 73,518 in 2021/22.

Council tax income is derived from charges on residential properties classified into eight valuation bandings established and inclusive of changes arising during the year for successful appeals against valuation banding. The Council's tax base, i.e. the number of chargeable dwellings in each band (adjusted to reflect relevant discounts and exemptions) converted to an equivalent number of Band D dwellings, was calculated for 2022/23 as follows

CF 2. Council Tax (continued)

Valuation Office estimated market value as at April 1991	Band	Estimated Number of Taxable Properties After Effect of Discounts	Ratio	Band D Equivalent Dwellings	
January 2022				Units	%
Less Than £40,000	A	633	6/9	422	
£40,000 - £52,000	B	4,799	7/9	3,733	
£52,000 - £68,000	C	21,176	8/9	18,824	
£68,000 - £88,000	D	21,203.12	9/9	21,203	
£88,000 - £120,000	E	11,651	11/9	14,240	
£120,000 - £160,000	F	6,532	13/9	9,435	
£160,000 - £320,000	G	3,500	15/9	5,833	
£320,000 or more	H	261	18/9	522	
		69,754		74,210	
Deduct:-					
Adjustment for anticipated changes during the year for successful appeals against valuation bandings, new properties, demolitions, disabled persons relief, reduced second homes discount and exempt properties.				0.0	
				74,209.90	
Adjustment for estimated collection rate				742.1	1%
Council Tax Base				73,467.8	99%
Band D council tax charge				£1,933.12	
Total Precept raised				£142,023,034	

CF 3. Precepts and Demands

The Greater London Authority (GLA) levies a precept on the Council's Collection Fund based on the Council's tax base for the year. In addition, the Council's own requirement is charged to the Collection Fund and credited to the General Fund. The GLA precept includes elements for the Metropolitan Police Authority, the London Fire and Emergency Planning Authority, Transport for London, the London Legacy Development Company (Queen Elizabeth Olympic Park), the Old Oak Common, Park Royal Development Corporation and the core GLA functions.

CF 4. Business Rates

The Council collects business rates for its area based on local rateable values (as determined by the Valuation Office Agency) and multipliers set by central government annually. There are two multipliers:

2021/22		2022/23
pence per £		pence per £
51.2	Standard non-domestic multiplier	51.2
49.9	Small business non-domestic multiplier	49.9

The total rateable value for business premises in Sutton as at 31 March 2023 was £146.6m (£147.981m at 31 March 2022).

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform basis set nationally by Central Government. Under the business rates retention scheme, local authorities retain a proportion of the total collectable rates due with the rest distributed to preceptors. The distribution rates have remained unchanged.

2021/22		2022/23
%		%
30	London Borough of Sutton	30
37	Greater London Authority	37
33	Central Government	33

CF 4. Business Rates (continued)

The net business rates shares payable for 2022/23 were estimated before the start of the financial year as follows:

2021/22		2022/23
£'000		£'000
17,467	London Borough of Sutton	15,240
21,543	Greater London Authority	18,795
19,214	Central Government	16,763
58,224		50,798

These sums have been paid in 2022/23 and charged to the Collection Fund in the year.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency and are therefore required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares. The total end of year provision for appeals balance is £5.435m of which the London Borough of Sutton's share is £1.631m.

8. Group Accounts

Group accounts have been prepared to give an overall picture of the activities and financial position of the Council including those activities carried out by Sutton Housing Partnership Limited, Encompass LATC Limited, Cognus Limited, Sutton Living Limited, Sutton Living Design & Build Limited and Sutton Decentralised Energy Network Limited. Entities where used is referring to the grouping of the Council's subsidiaries being grouped under one heading.



Group Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2023

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
£000	£000	£000		£000	£000	£000
30,152	(20,179)	9,973	Health and Wellbeing	27,297	(18,966)	8,331
68,506	(29,764)	38,742	Environment, Housing and Neighbourhoods	67,307	(24,047)	43,260
7,537	(6,474)	1,063	Development Growth and Regeneration	1,632	(368)	1,264
275,780	(146,453)	129,327	Peoples Services	321,584	(166,999)	154,585
107,464	(69,135)	38,329	Resources	105,675	(67,619)	38,056
804	(278)	526	Chief Executive(Electoral Services)	868	(16)	852
Housing Revenue Account						
9,959	(38,430)	(28,471)	- Main HRA Revenue Account	30,236	(41,149)	(10,913)
-	(15,122)	(15,122)	- Revaluation loss/(gain) - Dwellings		(17,632)	(17,632)
18,806	(996)	17,810	- Sutton Housing Partnership	21,990	(974)	21,016
3,881	(143)	3,738	Non Service Revenue Accounts	3,584	(79)	3,505
522,889	(326,974)	195,915	Cost of services	580,173	(337,849)	242,324

Group Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2023 (continued)

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2021/22	2021/22	2021/22		2022/23	2022/23	2022/23
£000	£000	£000		£000	£000	£000
27,293	(7,215)	20,078	Other operating expenditure	4,304	(12,191)	(7,887)
22,171	(31,446)	(9,275)	Financing and investment income and expenditure	26,112	(14,704)	11,408
-	(230,685)	(230,685)	Taxation and non-specific grant income	-	(224,786)	(224,786)
572,353	(596,320)	(23,967)	(Surplus) or deficit on the provision of services	610,589	(589,530)	21,059
		344	Tax expenses of Subsidiaries			(7)
-	-	(23,623)	Group (surplus) / deficit	-	-	21,052
		-	Group (Surplus) / Deficit attributable to:			
-	-	(23,623)	Council's share (London Borough of Sutton)			21,052
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
-	-	(20,687)	Net (surplus) / deficit arising on revaluation of Property, Plant and Equipment Assets	-	-	(10,923)
-	-	(76,851)	Remeasurement of the net defined benefit liability on the pensions reserve	-	-	(286,002)
		(97,538)	Other comprehensive income and expenditure			(296,925)
		(121,161)	Total comprehensive income and expenditure (surplus) / deficit			(275,873)
			Comprehensive income and expenditure (surplus) / deficit attributable to:			
		(121,161)	Council's share (London Borough of Sutton)			(275,873)
		-	Minority interest			-
		(121,161)				(275,873)

Group Movement in Reserves Statement

	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries	Minority Interest	Total Reserves
2022/23	General Fund Balance*	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022	(8,961)	(44,457)	(53,418)	(10,771)	(39,492)	(12,224)	(14,864)	(130,769)	(157,724)	(288,493)	11,117	-	(277,376)
Movement during 2022/23:													
Total Comprehensive Expenditure and Income	24,803	-	24,803	(39,843)				(15,040)	(272,872)	(287,912)	12,039		(275,873)
Adjustments between accounting basis and funding basis under regulations	(17,599)	-	(17,599)	36,322	(8,424)	(770)	(6,690)	2,839	(2,839)	-			-
Adjustments between group accounts and authority accounts			-					-	-	-	(34,265)		(34,265)
Minority Interest changes			-					-	-	-			-
Share Investments			-					-	-	-			-
Net (Increase) / Decrease before transfers to Earmarked Reserves	7,204	-	7,204	(3,521)	(8,424)	(770)	(6,690)	(12,201)	(275,711)	(287,912)	(22,226)	-	(310,138)
Transfers to / (from) Earmarked Reserves and minority interests	(6,832)	6,832	-		-	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year	372	6,832	7,204	(3,521)	(8,424)	(770)	(6,690)	(12,201)	(275,711)	(287,912)	(22,226)	-	(310,138)
Balance at 31 March 2022	(8,589)	(37,625)	(46,214)	(14,292)	(47,916)	(12,994)	(21,554)	(142,970)	(433,435)	(576,405)	(11,109)	-	(587,514)

Group Movement in Reserves Statement (continued)

2021/22	Memorandum		Usable Reserves						Non-usable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries	Minority Interest	Total Reserves
	General Fund Balance*	Earmarked General Fund Reserves	Total General Fund Balance & Earmarked Reserves	Housing Revenue Account (HRA)	Capital Grants & Contributions Unapplied	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021	(8,236)	(47,818)	(56,054)	(5,724)	(14,972)	(15,008)	(10,565)	(102,323)	(76,126)	(178,449)	16,921	1,236	(160,292)
Effect of restatement as per note 35	-	-	-	-	-	-	-	-	7,595	7,595	-	-	-
Effect of restatement as per note 1a	-	-	-	-	-	-	-	-	(3,344)	(3,344)	-	-	-
Revised Balance at 31 March 2021	-	-	-	-	-	-	-	-	(71,875)	(174,198)	16,921	1,236	(156,041)
Movement during 2021/22:													
Total Comprehensive Expenditure and Income	(7,235)	-	(7,235)	(47,838)	-	-	-	(55,073)	(89,261)	(144,334)	23,175	-	(121,159)
Adjustments between accounting basis and funding basis under regulations	(4,211)	-	(4,211)	26,834	(24,520)	2,784	(4,299)	(3,412)	3,412	-	-	-	-
Adjustments between group accounts and authority accounts	13,964	-	13,964	16,075	-	-	-	30,039	-	30,039	(30,039)	-	-
Minority Interest changes	-	-	-	-	-	-	-	-	-	-	1,236	(1,236)	-
Share Investments	-	-	-	-	-	-	-	-	-	-	(176)	-	(176)
Net (Increase) / Decrease before transfers to Earmarked Reserves	2,518	-	2,518	(4,929)	(24,520)	2,784	(4,299)	(28,446)	(85,849)	(114,295)	(5,804)	(1,236)	(121,335)
Transfers to / (from) Earmarked Reserves and minority interests	(3,243)	3,361	118	(118)	-	-	-	-	-	-	-	-	-
(Increase) / Decrease in Year	(725)	3,361	2,636	(5,047)	(24,520)	2,784	(4,299)	(28,446)	(85,849)	(114,295)	(5,804)	(1,236)	(121,335)
Balance at 31 March 2022	(8,961)	(44,457)	(53,418)	(10,771)	(39,492)	(12,224)	(14,864)	(130,769)	(157,724)	(288,493)	11,117	-	(277,376)

Group Balance Sheet

31 March 2022		Notes	31 March 2023
£'000			£'000
	Non-Current Assets		
843,795	Property, Plant and Equipment	G5.	883,414
3,735	Intangible Assets		4,491
97,897	Investment Properties		103,531
10	Long Term Investments		10
12,316	Long Term Debtors		11,438
957,753	Total Non-Current Assets		1,002,884
	Current Assets		
61,546	Short Term Investments		43,736
936	Assets Held for Sale		936
50,600	Investment Properties Held for Sale		43,700
1,447	Inventories		4,355
82,388	Debtors	G6.	81,267
20,431	Cash and Cash Equivalents	G8.	10,254
217,348	Total Current Assets		184,248

Group Balance Sheet (continued)

31 March 2022		31 March 2023
£'000		£'000
	Less Current Liabilities	
(9,187)	Short Term Borrowing	(11,293)
(4,315)	Capital Grants Receipt in Advance	(9,220)
(110,901)	Creditors G7.	(70,048)
(2,481)	Provisions	(4,562)
-	Bank Overdraft	-
(126,884)	Total Current Liabilities	(95,123)
	Less Non-Current Liabilities	
(5,204)	Provisions	(6,340)
(415,138)	Long Term Borrowings	(407,531)
(350,499)	Liability Related to Defined Benefit Pension Scheme G11.	(90,624)
(770,841)	Total Non-Current Liabilities	(504,495)
277,376	Net Assets	587,514
(157,724)	Total Non-usable Reserves	(433,865)
(119,652)	Total Usable Reserves G10.	(153,649)
-	Minority Interest	
(277,376)	Total Reserves	(587,514)

Group Cash Flow Statement

2021/22		2022/23
£000		£000
23,622	Net (surplus) or deficit on the provision of services	12,460
54,825	Adjustment to the net surplus or deficit on the provision of services for non-cash movements	6,875
(19,344)	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	(19,003)
59,103	Net cash flows from operating activities	332
(30,004)	Net cash flows from investing activities	(4,091)
6,465	Net cash flows from financing activities	(6,400)
35,564	Net (increase)/decrease in cash and cash equivalents	(10,159)
Represented by:		
(15,134)	a Cash and cash equivalents at the beginning of the reporting period	20,412
20,430	b Cash and cash equivalents at the end of the reporting period	10,253
35,564	Net (increase)/decrease in cash and cash equivalents (b-a)	(10,159)

Notes to the Group Accounts

G1. Introduction

The CIPFA Code of Practice requires that where an Authority has material financial interests and a significant level of control over one or more entities it should prepare group accounts. The aim of consolidation is to give an overall picture of the Authority's financial activities and the resources employed in carrying out those activities.

The Council has an interest in a number of entities and the most significant of these are Sutton Housing Partnership CIC (SHP), established in April 2016 to manage and improve the Council's housing stock and estates, Encompass LATC Ltd provide a wide range of services including advice on housing , Social care, and innovation. Cognus Limited, which is 100% owned by the Council, supports schools , families and children/ young people.

Opportunity Sutton was launched to provide a focus for economic development in the borough. It has three subsidiary companies, namely Sutton Living Ltd, Sutton Living Design and Build Ltd

and Sutton Decentralised Energy Network Ltd.

As at 31 March 2023, Sutton Living Ltd and Sutton Decentralised Energy Network Ltd became directly part of London Borough of Sutton's Group Accounts and this also includes Sutton Living Design & Build Ltd which remains a subsidiary of Sutton Living Ltd. The Council no longer has a shareholding of Opportunity Sutton therefore.

Group Accounts have been prepared to reflect the Council's interest in the above subsidiaries of the Council.

G2. Accounting Policies

The group has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, issued by the Chartered Institute of Public Finance and Accounting (CIPFA). The accounting policies of the subsidiaries are in line with the Council's accounting policies.

G3. Consolidation

The Group Income and Expenditure Accounts and Balance Sheet have been prepared by consolidating the accounts of the subsidiary, on a line-by-line basis, in accordance with IAS 27. Intra group transactions have been eliminated from the Statements.

Where figures in the group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The following notes give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

G4. Analysis of Group Expenditure and Income by Nature

2021/22				2022/23		
LBS	Entities	Total		LBS	Entities	Total
£000	£000	£000		£000	£000	£000
Expenditure						
159,728	17,890	177,618	Employee expenses	175,480	21,750	197,230
294,957	23,483	318,440	Other operating expenses	337,358	20,295	357,653
27,209	92	27,301	Depreciation, amortisation and impairment	25,434	113	25,547
723	-	723	Payments to Housing Capital Receipts Pool			-
19,631	263	19,894	Interest payments	24,450	1,490	25,940
1,904	-	1,904	Loss on FV revaluation of Financial Instruments			-
875	-	875	Precept and Levies	868		868
25,598	-	25,598	Loss on disposal of non-current assets	3,351		3,351
530,625	41,728	572,353	Total expenditure	566,941	43,648	610,589
Income						
(82,181)	(10,618)	(92,799)	Fees and charges and other service income	(98,734)	(7,525)	(106,259)
(6,634)	(2)	(6,636)	Interest and investment income	(13,374)	(25)	(13,399)
(41,203)	-	(41,203)	Gain on disposal of non-current assets and revaluation	(21,806)		(21,806)
(7,215)	-	(7,215)	Capital Receipts	(9,027)		(9,027)
(124,695)	-	(124,696)	Income from Council Tax and Business Rates	(128,704)		(128,704)
(323,771)	-	(323,771)	Government grants and contributions	(310,336)		(310,336)
(585,699)	(10,620)	(596,320)	Total income	(581,981)	(7,550)	(589,531)
(55,074)	31,108	(23,967)	(Surplus) or Deficit on Provision of Services	(15,040)	36,098	21,058

G5. Group Property, Plant and Equipment

Movement on balances

2022/23	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1st April 2022	473,578	331,003	13,036	86,749	6,304	8,305	9,387	928,362
Additions	12,548	3,073	1,317	4,710	398	-	13,368	35,414
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	9,783	-	-	-	(2,024)	-	7,759
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	9,240	(830)	-	-	-	-	-	8,410
Derecognition - disposals	(3,351)	-	(32)	-	-	-	-	(3,383)
Derecognition - other	-	-	(822)	-	-	-	-	(822)
Assets reclassified (to)/from held for sale	-	-	-	-	-	-	-	-
Reclassification and transfers	-	-	(27)					(27)
At 31st March 2023	492,015	343,029	13,472	91,459	6,702	6,281	22,755	975,713

G5. Group Property, Plant and Equipment (continued)

Movement on balances

2022/23	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment								
At 1st April 2022	-	(21,365)	(7,312)	(55,890)	-	-	-	(84,567)
Depreciation Charge:	(8,427)	(6,027)	(1,476)	(5,205)	-	(7)	-	(21,142)
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	-	3,156	-	-	-	7	-	3,163
Depreciation charge written out to the Revaluation Reserve	8,427	562	-	-	-	-	-	8,989
Derecognition - disposal	-	-	32	-	-	-	-	32
Derecognition - other	-	-	822	-	-	-	-	822
Reclassification and transfers	-	-	-	-	-	-	-	-
At 31st March 2023	-	(23,674)	(7,934)	(61,095)	-	-	-	(92,703)
Net Book Value:								
At 31 March 2022	473,578	309,638	5,724	30,859	6,304	8,305	9,387	843,795
At 31 March 2023	492,015	319,355	5,538	30,364	6,702	6,281	22,755	883,010

G5. Group Property, Plant and Equipment (continued)

Movement on balances

2021/22 comparative	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1st April 2021	435,627	315,401	28,940	81,612	2,614	2,370	8,001	874,565
Additions	32,705	32,586	874	3,306	281	-	6,704	76,456
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	14,011	-	-	-	4,332	-	18,343
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,875	(3,857)	-	-	-	(925)	-	3,093
Derecognition - disposals	(2,629)	(25,480)	(158)	-	-	(125)	-	(28,392)
Derecognition - other	-	-	(16,320)	-	-	-	-	(16,320)
Assets reclassified (to)/from held for sale	-	-	-	-	-	-	-	-
Reclassification and transfers	-	(1,658)	(300)	1,831	3,409	2,653	(5,318)	617
At 31st March 2022	473,578	331,003	13,036	86,749	6,304	8,305	9,387	928,362

G5. Group Property, Plant and Equipment (continued)

Movement on balances

2021/22 comparative	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated Depreciation and Impairment								
At 1st April 2021	-	(21,037)	(22,088)	(50,993)	-	-	-	(94,118)
Depreciation Charge:	(7,010)	(6,057)	(1,610)	(4,897)	-	(9)	-	(19,583)
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	7,010	253	-	-	-	-	-	7,263
Depreciation charge written out to the Revaluation Reserve	-	2,909	-	-	-	293	-	3,202
Derecognition - disposal	-	2,282	66	-	-	1	-	2,349
Derecognition - other	-	-	16,320	-	-	-	-	16,320
Reclassification and transfers	-	285	-	-	-	(285)	-	-
At 31st March 2022	-	(21,365)	(7,312)	(55,890)	-	-	-	(84,567)
Net Book Value:								
At 31 March 2021	435,627	294,364	6,852	30,619	2,614	2,370	8,001	780,447
At 31 March 2022	473,578	309,638	5,724	30,859	6,304	8,305	9,387	843,795

G6. Group Debtors

At 31 March 2023	Council	SHP	Encompass	Cognus	SDEN	SLL	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central Government Bodies	32,414						32,414
Other Local Authorities	2,705	55	-	631	20	-	3,410
NHS Bodies	1,096						1,096
Other Entities & Individuals	36,169	1,524	1,012	868	1,237	590	41,401
Local Tax Payers	1,695						1,695
HRA tenants	906						906
Public Corps & Trading Funds							
Total	74,985	1,579	1,012	1,499	1,257	590	80,922

At 31 March 2022	Council	SHP	Encompass	Cognus	Opportunity Sutton	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000
Central Government Bodies	27,478					27,478
Other Local Authorities	8,860	1,314	-	-	-	10,174
NHS Bodies	2,076	-	-	-	-	2,076
Other Entities & Individuals	35,755	537	951	1,004	712	38,959
Local Tax Payers	2,593	-	-	-	-	2,593
HRA tenants	1,108	-	-	-	-	1,108
Public Corps & Trading Funds	-	-	-	-	-	-
Total	77,870	1,851	951	1,004	712	82,388

G7. Group Creditors

At 31 March 2023	Council	SHP	Encompass	Cognus	SLL	SDEN	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central Government Bodies	(3,915)						(3,915)
Grants received in advance	(4,562)						(4,562)
Other Local Authorities	(10,414)		(31)	(57)	(1,385)	-	(11,887)
NHS Bodies	(840)						(840)
Other Entities & Individuals	(41,558)		(3,506)	(2,216)	(5,664)	(462)	(53,406)
Local Tax Payers	-						-
Total	(61,289)	-	(3,537)	(2,273)	(7,048)	(462)	(74,610)

At 31 March 2022	Council	SHP	Encompass	Cognus	Opportunity Sutton	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000
Central Government Bodies	(308)	(416)	(234)	(405)	-	(1,363)
Grants received in advance	(37,956)	-	-	-	-	(37,956)
Other Local Authorities	(11,297)	(122)	-	-	-	(11,419)
NHS Bodies	(721)	-	-	-	-	(721)
Other Entities & Individuals	(43,297)	(774)	(3,708)	(1,705)	(8,706)	(58,190)
Local Tax Payers	(1,093)	(159)	-	-	-	(1,252)
Total	(94,672)	(1,471)	(3,942)	(2,110)	(8,706)	(110,901)

G8. Cash and cash equivalents

Cash at bank and in hand	Council	SHP	Encompass	Cognus	SLL	SDEN	Opportunity Sutton	Total Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2023	1,200	2,551	3,528	1,782	1,034	158	-	10,254
At 31 March 2022	5,467	2,128	3,955	1,839	-	-	7042	20,431

G9. Group Usable Reserves

	Balance at 31 March 2021	Transfers Out	Transfers In	Balance at 31 March 2022	Transfers Out	Transfers In	Balance at 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Grants & Contributions Unapplied	(14,972)	-	(24,520)	(39,492)	7,760	(16,183)	(47,915)
Capital Receipts Reserve	(10,565)	-	(4,299)	(14,864)	2,251	(8,941)	(21,554)
Major Repairs Reserve	(15,008)	2,784		(12,224)	7,745	(8,514)	(12,993)
Housing Revenue Account	(5,724)	-	(5,047)	(10,771)		(3,509)	(14,280)
General Reserves – General Fund & Schools	(8,236)	-	(724)	(8,960)	371		(8,589)
Share of Subsidiaries' Reserves	16,922	(5,805)	-	11,117		(22,226)	(11,109)
Earmarked Reserves	(47,819)	20,865	(17,504)	(44,458)	17,303	(10,470)	(37,625)
Total Group Usable Reserves	(85,402)	17,844	(52,094)	(119,652)	35,430	(69,843)	(154,065)

G10. Group Defined Benefit Pension Schemes

The employees of the London Borough of Sutton, and SHP, Encompass LATC Ltd and Cognus Limited are eligible to join the Local Government Pension Scheme.

As an admitted body within the Sutton Pension Fund, subsidiaries pension liabilities and employer contribution rates are separately assessed.

The cost of pension benefits earned during the year were:

2021/22			Comprehensive Income and Expenditure Statement:	2022/23		
LBS	Entities	Total		LBS	Entities	Total
£'000	£'000	£'000		£'000	£'000	£'000
			Service cost comprising:			
32,285	4,442	36,727	- Current service cost	26,047	3,984	30,031
270	-	270	- Past service cost	69	-	69
(2,142)	-	(2,142)	- (gain)/loss from settlements	-	-	-
30,413	4,442	34,855		26,116	3,984	30,100
7,736	440	8,176	Net interest expense	9,229	2,162	11,391
648	129	777	Administration expenses	577	135	712
38,797	5,011	43,808	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	35,922	6,281	42,203
			Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement			
(31,593)	(2,948)	(34,541)	- Return on plan assets (excluding the amount included in the net interest expense	53,933	5,676	59,609
50	(3,257)	(3,207)	- Actuarial (gains) and losses arising on changes in demographic assumptions	(21,252)	(2,520)	(23,772)
(45,282)	(742)	(46,024)	- Actuarial (gains) and losses arising on changes in financial assumptions	(317,310)	(29,611)	(346,921)
8,251	(1,420)	6,831	- Other actuarial (gains)/losses on assets	-	-	-
-	87	87	- Experience gain on defined benefit obligation	22,680	2,902	25,582
(68,574)	(3,269)	(33,046)	Total Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(261,949)	(17,272)	(243,299)
			Movement in Reserves Statement:			
17,645	(8,277)	9,368	Reversal of net charges made to the (Surplus) or Deficit on the provision of Service for Post Employment Benefits in accordance with the Code	(35,922)	(24,053)	(59,975)

G10. Group Defined Benefit Pension Schemes (continued)

Pensions assets and liabilities recognised in the Balance Sheet are as follows:

2021/22				2022/23		
LBS	Entities	Total		LBS	Entities	Total
£'000	£'000	£'000		£'000	£'000	£'000
988,180	77,848	1,066,028	Present value of defined benefit obligation	686,544	(54,315)	632,229
(653,147)	(62,382)	(715,529)	Fair value of plan assets	(590,096)	60,139	(529,957)
335,033	15,466	350,499	Net Liability arising from defined benefit obligation	96,448	5,824	102,272

Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2021/22				2021/22		
LBS	Entities	Total		LBS	Entities	Total
£'000	£'000	£'000		£'000	£'000	£'000
1,000,946	77,760	1,078,706	Balance at 1 April	988,180	77,714	1,065,894
32,933	4,437	37,370	Current Service Cost	26,624	4,052	30,676
20,041	1,596	21,637	Interest Cost	26,714	2,162	28,876
3,889	635	4,524	Contributions by Members	4,285	653	4,938
50	84	134	Actuarial (gains)/losses arising from changes in demographic assumptions	(21,252)	(2,520)	(23,772)
(45,282)	(5,500)	(50,782)	Actuarial (gains)/losses arising from changes in financial assumptions	(317,310)	(29,611)	(346,921)
8,251	87	8,338	Experience gain on defined benefit obligation	6,375	2,902	9,277
270	-	270	Past Service Cost	69	-	69
(29,061)	(1,385)	(30,446)	Benefits Paid	(27,141)	(1,171)	(28,312)
(3,857)	-	(3,857)	Liabilities extinguished on settlements	-	-	-
988,180	77,714	1,065,894	Balance at 31 March	686,544	54,181	740,725

G10. Group Defined Benefit Pension Schemes (continued)

Reconciliation of Movements in the Fair Value of the Scheme (Plan) Assets

2021/22				2022/23		
LBS	Entities	Total		LBS	Entities	Total
£'000	£'000	£'000		£'000	£'000	£'000
622,308	57,247	679,555	Balance at 1 April	653,147	62,382	715,529
12,305	1,157	13,462	Interest income	17,485	1,710	19,195
			Remeasurement gain/loss:		-	
31,593	2,948	34,541	- Return on plan assets, excluding the amount included in the net interest expense	(53,933)	(5,676)	(59,609)
13,828	1,780	15,608	Contributions from employer	12,558	1,904	14,462
3,889	635	4,524	Contributions from employees into the scheme	4,285	555	4,840
(29,061)	(1,385)	(30,446)	Benefits Paid	(27,141)	(1,169)	(28,310)
(1,715)	-	(1,715)	Other	(16,305)	433	(15,872)
653,147	62,382	715,529	Balance at 31 March	590,096	60,139	650,235

9. Pension Fund Accounts 2022/23

These show the income and expenditure of the Sutton Local Government Pension Fund in relation to current employees, deferred scheme members and pensioners, investment transactions and the position of the Fund at year end including future liabilities.



Sutton Pension Fund Account for the year ended 31 March 2023

2021/22			2022/23
£'000		Note	£'000
	Dealings with members, employers and others directly involved in the Fund		
(33,231)	Contributions	7	(33,341)
(3,665)	Transfers in from other pension funds	8	(3,861)
(36,896)			(37,202)
30,193	Benefits	9	32,135
20,439	Payments to and on account of leavers:	10	3,063
50,632			35,198
13,736	Net (additions) / withdrawals from dealings with members		(2,004)
6,571	Management expenses	11	7,816
20,307	Net (additions)/withdrawals including fund management expenses		5,812
	Returns on Investments		
(9,368)	Investment income	12	(15,406)
24	Taxes on income	13	23
(53,419)	(Profit) loss on disposal of investments and changes in the market value of investments	14b	53,823
(62,763)	Net (Return)/Loss on Investments		38,440
(42,456)	Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		44,252
(812,380)	Opening Net Assets of the Scheme		(854,836)
(854,836)	Closing Net Assets of the Scheme		(810,583)

Sutton Pension Fund Net Assets Statement for the year ended 31 March 2023

2021/22		Note	2022/23
£'000			£'000
150	Long term assets		150
857,504	Investment Assets	14	807,461
857,654	Total Net Investments		807,611
15,216	Current Assets	20	21,097
(18,034)	Current Liabilities	21	(18,125)
854,836	Net Assets of the Fund available to fund benefits at the end of the reporting period		810,583

Notes to the Pension Fund

PF Note 1 - Description of the Fund

a) General

The London Borough of Sutton Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Sutton.

The Fund is governed by the Public Service Pensions Act 2013 and is administered under the following regulations:

- the LGPS Regulations 2013
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014
- the LGPS (Management and Investment of Funds) Regulations 2016

The Scheme is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the London Borough of Sutton and the admitted and scheduled bodies in the Fund.

These benefits include retirement pensions, early payment of benefits on medical grounds, and payment of death benefits where death occurs either in service or in retirement.

b) Pension Committee

The Council has delegated all matters relating to the Fund to the Pension Committee. Its core functions include deciding upon the investment strategy, approving policy statements, and monitoring performance. The Committee is made up of six Members of the Council each of whom has voting rights and two other non-voting representatives.

The Committee considers the views of the Strategic Director - Resources (S151 Officer) and obtains, as necessary, advice from the Fund's appointed investment advisers, fund managers and actuary. The implementation of these decisions is delegated to the Strategic Director - Resources (S151 Officer).

c) Membership

Although Scheme employers are required to auto enrol employees into the LGPS, membership of the LGPS is voluntary and employees are free to choose whether to remain in the Scheme or to "opt out" and make their own personal arrangements outside the Scheme. Organisations participating in the London Borough of Sutton Pension Fund include:

- Scheduled bodies which are local authorities or other similar bodies whose staff are automatically entitled to be members of the Fund
- Admitted bodies which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

PF Note 1 - Description of the Fund (continued)

Active Scheme employers at 31 March 2022 were as follows:

Scheduled bodies	Scheduled bodies (cont.)	Admission bodies
Abbey Primary School	Harris Academy Sutton	Citizens Advice - Sutton
Addington Valley Academy	Harris Junior Academy Carshalton	PlayWise Learning CIC
All Saints Carshalton CofE Primary School	LEO Academy Trust pool:	Caterlink
Beddington Park Academy	<ul style="list-style-type: none"> <i>Brookfield Primary Academy</i> 	Cognus
Carew Academy	<ul style="list-style-type: none"> <i>Cheam Common Infants' Academy</i> 	Compass Catering - Overton Grange
Carshalton Boys Sports College	<ul style="list-style-type: none"> <i>Cheam Common Junior Academy</i> 	DB Services - Girls' Learning Trust
Cheam Academies Network pool:	<ul style="list-style-type: none"> <i>Cheam Fields Primary Academy</i> 	Encompass LATC
<ul style="list-style-type: none"> <i>Cheam High School</i> 	<ul style="list-style-type: none"> <i>Cheam Park Farm Primary Academy</i> 	Energy Kidz - Muschamp
<ul style="list-style-type: none"> <i>Oaks Park High School</i> 	<ul style="list-style-type: none"> <i>LEO Academy Trust - Central Staff</i> 	Mitie TFM, including Mitie Security
Cirrus Primary Academy Trust pool:	<ul style="list-style-type: none"> <i>Manor Park Primary Academy</i> 	Orchard Childcare
<ul style="list-style-type: none"> <i>Avenue Primary Academy</i> 	London Borough of Sutton, including LEA schools	Pabulum - Glenthorne
<ul style="list-style-type: none"> <i>Barrow Hedges Primary School</i> 	Orchard Hill College	Ridgecrest Cleaning - St Philomena's
<ul style="list-style-type: none"> <i>Cirrus Primary Academy Trust - Central Staff</i> 	Orchard Hill College Academy Trust - Central Staff	Saba Park Services
<ul style="list-style-type: none"> <i>Rushy Meadow Primary Academy</i> 	Overton Grange School	Sports and Leisure Management
<ul style="list-style-type: none"> <i>Stanley Park Infants School</i> 	Sutton Grammar School	
<ul style="list-style-type: none"> <i>Wallington Primary Academy</i> 	Sutton Housing Partnership	

Scheduled bodies	Scheduled bodies (cont.)	Admission bodies
Girls' Learning Trust pool:	The Limes College	
• <i>Carshalton High School for Girls</i>	The Link School	
• <i>Girls' Learning Trust - Central Staff</i>	Wallington County Grammar School	
• <i>Nonsuch High School for Girls</i>	Wandle Valley Academy	
• <i>Wallington High School for Girls</i>	Westbourne Primary School	
Glenthorne High School	Wilson's School	
Greenshaw Learning Trust pool:		
• <i>Bandon Hill Primary School</i>		
• <i>Green Wrythe Primary School</i>		
• <i>Greenshaw High School</i>		
• <i>Tweeddale Primary School</i>		
• <i>Victor Seymour Infants' School</i>		
• <i>Wood Field Primary School</i>		

PF Note 1 - Description of the Fund (continued)

The following table summarises the membership numbers of the scheme:

2021/22		2022/23
No.		No.
59	Number of Employers with active members	60
Active Members		
2,596	London Borough of Sutton	2,614
2,925	Scheduled bodies	3,266
407	Admission bodies	159
5,928		6,039
Deferred Members		
4,829	London Borough of Sutton	4,954
1,313	Scheduled bodies	1,755
275	Admission bodies	110
6,417		6,819
Pensioners (including Dependents)		
3,899	London Borough of Sutton	4,070
388	Scheduled bodies	487
137	Admission bodies	79
4,424		4,636
16,769	Total	17,494

Deferred membership figures now include frozen refunds. Those are members that left their employment or opted out and did not meet the vesting period. They are eligible for a refund, or they can transfer their benefits to another scheme. within five years. The 2021/22 figures have been restated to allow a comparison of the numbers reported.

PF Note 1 - Description of the Fund (continued)

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th.

Key details of the scheme's variants are shown in the table below. Accrued pension is uprated annually in line with the Consumer Prices Index.

	Service pre 1 April 2008	Service 1 March 2008 to 31 March 2014	Service post 31 March 2014
Pension	Accrual rate per annum of 1/80th of final pensionable pay	Accrual rate per annum of 1/60th of final pensionable pay	Accrual rate per annum of 1/49th of current year's pensionable pay
Lump sum	Automatic lump sum of 3 x pension. Option to exchange annual pension for tax free lump sum at a rate of £1 pension for £12 lump sum up to a maximum of 25% of total pension pot.	No automatic lump sum. Option to exchange annual pension for tax free lump sum at a rate of £1 pension for £12 lump sum up to a maximum of 25% of total pension pot.	

There are other benefits provided by the LGPS. Further information is available at <https://www.lgpsmember.org>

e) Funding

The Pension Fund is financed by contributions from employees, employers and from the Fund's investments. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Under the current scheme members can opt for the 50:50 option where they pay half their contributions for half the benefits.

In 2022/23, employer contribution rates ranged from 15.7% to 28.3% of pensionable pay. Employer contribution rates payable from 1 April 2022 were set by the triennial valuation as at 31 March 2019, the results of which were published on 31 March 2020.

PF Note 2 - Basis of preparation

The statement of accounts summarises the Fund's transactions for the 2022/23 financial year and its position as at 31 March 2023. The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2022/23' (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts have been prepared on a going concern basis.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not provide for obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an IAS 19 basis, is disclosed at Note 19 of these accounts.

Accruals Concept

Income and expenditure has been included in the accounts on an accruals basis. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The adequacy of the Fund to pay future pensions and other benefits is reported upon separately in these accounts.

Valuation of Investments

Investments are stated at their market values as at 31 March 2023 and are determined as follows:

- All investments priced within the Stock Exchange Electronic Trading Service (SETS), a recognised or designated investment exchange or over-the-counter market, are valued at the bid-market prices at close of business on the exchange or market on which the investment trades, or at the last trading price recorded.
- Securities which are not covered by the above are valued at their estimated realisable value. Suspended securities are valued initially at the suspended price but are subject to constant review.
- Investments held in foreign currency have been valued on the relevant basis and translated into Sterling at the rate ruling at the balance sheet date.
- Transactions in foreign currency are translated into Sterling at the exchange rate ruling at the time of transaction.

PF Note 3 - Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution Income

Normal contributions, both from members and employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer's augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. (Augmentation is the cost of additional membership awarded by an employer).

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations.

Individual transfers in or out are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions

to purchase scheme benefits are accounted for on a receipts basis.

c) Investment income

• Interest income

Interest income is recognised in the Fund as it accrues, using the effective interest rate of the financial instrument as at the date of the financial instrument and its amount as at the date of acquisition or origination.

Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

• Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset

• Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue and accrued at year end if not received at that time.

- Movement in the net market value of investments
Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

d) Benefits payable

Pensions and lump sum benefits include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Interest from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

Investment income, Note 12, is shown gross of irrecoverable taxes deducted. The Fund is reimbursed VAT by HM Revenue and Customs, and the accounts are shown exclusive of VAT.

PF Note 3 - Summary of significant accounting policies (continued)

f) Management Expenses

Pension Fund management expenses are accounted for in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses (2016)*.

- Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the Pension Administration Team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

- Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged to the Fund. Associated management and accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

- Investment Management Expenses

All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or decrease as the value of these investments change. The cost of obtaining investment advice from external consultants is included here.

Net Assets Statement

g) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

h) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS26 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the financial statements include a note disclosing the actuarial present value of retirement benefits (Note 19).

i) Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the Pension Fund (see Note 22). AVCs are paid to the AVC providers by employers, specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement from the AVC provider company showing the amount held in their account and the movements in year.

PF Note 4 - Critical judgements in applying accounting policies

In applying the accounting policies as set out in Note 3 above, the Council has had to make critical judgements about complex transactions or those involving uncertainty about future events. There were no such critical judgements made during 2022-23.

PF Note 5 - Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different in the forthcoming year, as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Actuarial present value of promised retirement benefits	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>There is further uncertainty arising from a legal challenge to the Government's transitional arrangements following the public sector pension reforms in 2015. The McCloud case was upheld by the Court of Appeal in December 2018 which found the transitional arrangements to be discriminatory on the grounds of age and gender. Following consultation by government, the key features of the proposed remedy include levelling up benefits for the younger members who suffered discrimination using a form of final salary underpin. Final regulations are expected to be effective from 1 April 2023.</p>	<p>The sensitivity of the net Pension Fund liability to a change in assumptions can be measured. For example a 0.1% decrease in the discount rate assumption would result in an approximate increase of £16m in the Fund's pension liability; a one year increase in member life expectancy would increase the liability by approximately £36m and a 0.1% increase in the rate of salary increase would increase the liability by approximately £1m.</p> <p>The potential impact of the McCloud case has been assessed by the Government Actuary Department (GAD) on a national LGPS-wide basis using a range of assumptions about potential remedies.</p> <p>The potential impact of the McCloud case has been assessed by the Government Actuary Department (GAD) on a national LGPS-wide basis using a range of remedies and assumptions. The Council's actuaries have applied the same assumptions as used to prepare the IAS26 report to the remedies in the GAD review which indicate a potential increase in pension liabilities of 0.3%. This figure is based on a worst case scenario and the impact will be reduced if the remedies proposed are not as extensive as in the original GAD report.</p>
Unquoted investments	<p>The assets held by the Pension Fund are managed by fund managers on a pooled basis. Some of these assets are unquoted and values are estimated by fund managers using comparable market data, indices and data from third parties, as well as projected revenue streams associated with the assets. Property, private debt and infrastructure funds do not have published prices, are not regularly traded and have many unobservable inputs feeding into their valuations and so are treated as level 3.</p>	<p>The potential impact of this uncertainty cannot be measured accurately. The total of level 3 funds held by the Pension Fund are valued at £133.1m, and the variation around this value is estimated to be +/- 10%, which equates to +/- £13.3m.</p>

PF Note 6 - Events after the reporting period end

The unaudited Statement of Accounts was authorised for issue by the Strategic Director - Resources (S151 Officer) on ___ 2023 and the audited Statement of Accounts were authorised for issue on ___. At this date there was one non-adjusting event to report:

The value of the investments of the Fund at 31 May 2023 shows a increase in market movement from £807.5m to £___m. This is an increase of £___m or ___%.

At the date of authorisation the Council is not aware of any events that would require adjustment to these statements.

PF Note 7 - Contributions receivable

Employees' contributions are calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain solvency of the Fund. The tables below show a breakdown of the total amount of employers' and employees' contributions.

By Category

2021/22		2022/23
£'000		£'000
(7,561)	Employees' contributions	(8,185)
	Employers' contributions	
(23,419)	Normal Contributions	(23,238)
(1,709)	Deficit Recovery Contributions	(1,853)
(541)	Augmentation contributions	(65)
(25,669)		(25,156)
(33,231)		(33,341)

Deficit recovery contributions of £15,321k in 2020/21 included a prepayment from the Council totalling £7,595k for 2021/22 and 2022/23.

PF Note 7 - Contributions receivable (continued)

By Authority

2021/22		2022/23
£'000		£'000
(18,192)	London Borough of Sutton	(16,194)
(12,640)	Scheduled bodies	(16,160)
(2,399)	Admitted bodies	(987)
(33,231)		(33,341)

PF Note 8 - Transfers in from other pension funds

2021/22		2022/23
£'000		£'000
(3,665)	Individual transfers	(3,861)
-	Group transfers	-
(3,665)		(3,861)

During the years ended 31 March 2023 and 31 March 2022, no group transfers were received into the Fund.

PF Note 9 - Benefits payable

The tables below show a breakdown of the total amount of benefits payable by category and by authority:

By Category

2021/22		2022/23
£'000		£'000
26,221	Pensions	27,680
3,845	Commutation and Lump sum retirement benefits	4,215
127	Lump sum death benefits	240
30,193		32,135

By Authority

2021/22		2022/23
£'000		£'000
29,199	London Borough of Sutton	27,448
888	Scheduled bodies	3,955
106	Admitted bodies	732
30,193		32,135

PF Note 10 - Payments to and on account of leavers

2021/22		2022/23
£'000		£'000
158	Refunds to members leaving service	90
15,450	Group transfers	-
4,831	Individual transfers	2,973
20,439		3,063

During the year ended 31 March 2022 an accrual was made for £15.5m due to Croydon Council for the bulk transfer of South London Waste Partnership. This amount remained an accrual at 31 March 2023, as it was still unpaid at that date.

PF Note 11 - Management expenses

2020/22		2022/23
£'000		£'000
1,038	Administration Expenses	1,374
5,245	Investment Management Expenses	6,124
288	Oversight and Governance	318
6,571		7,816

PF Note 11a - Investment management expenses

Investment Management Expenses are further analysed below in line with CIPFA Guidance on Accounting for Management Costs in the LGPS.

2021/22		2022/23
£'000		£'000
4,299	Management Fees	4,703
3	Performance Fees	3
106	Custody Fees	100
837	Transaction Costs	1,318
5,245		6,124

PF Note 11b - External audit costs

2021/22		2022/23
£'000		£'000
35	External audit costs	35
35		35

PF Note 12 - Investment income

2021/22		2022/23
£'000		£'000
	Pooled Investments:	
(2,892)	- Equities	(3,578)
(1,410)	- Property	(1,625)
(2,268)	- Multi Asset Credit	(2,717)
(1,781)	- Diversified Growth Funds	(1,776)
-	- Private Debt	(124)
(1,012)	- Infrastructure	(5,476)
(5)	Interest on Cash Deposits	(110)
(9,368)		(15,406)

PF Note 13 - Taxes on income

2021/22		2022/23
£'000		£'000
24	Withholding tax - pooled	23
24		23

PF Note 14 - Investments

2021/22	Investment Assets	2022/23
£'000		£'000
	Pooled Investment Vehicles:	
466,057	Equities	441,963
93,404	Fixed Income	50,531
56,371	Property	49,712
86,694	Multi Asset Credit	86,140
99,837	Diversified Growth Funds	95,660
37,664	Infrastructure	55,808
17,094	Private Debt	27,533
	Other Investment Balances:	
385	Cash deposits	43
(2)	Accrued income and recoverable taxes	71
857,504	Total Net Investment Assets	807,461

PF Note 14a - Analysis of Pooled Investment Vehicles

Pooled Investment Vehicles:			Other managed funds:			
2022/23	ACS	Unit trusts	Unitised insurance policies	OEIC	SICAV	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	216,393	151,894	73,676	-	-	441,963
Fixed Income	-	-	50,531	-	-	50,531
Property	-	33,055	-	-	16,657	49,712
Multi Asset Credit	28,406	-	-	57,734	-	86,140
Diversified Growth Funds	95,660	-	-	-	-	95,660
Infrastructure	-	19,920	-	-	35,888	55,808
Private Debt	-	27,533	-	-	-	27,533
	340,459	232,402	124,207	57,734	52,545	807,347

Pooled Investment Vehicles:			Other managed funds:			
2021/22	ACS	Unit trusts	Unitised insurance policies	OEIC	SICAV	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	225,449	166,187	74,422	-	-	466,057
Fixed Income	-	-	93,404	-	-	93,404
Property	-	39,973	-	-	16,398	56,371
Multi Asset Credit	29,719	-	-	56,974	-	86,694
Diversified Growth Funds	99,837	-	-	-	-	99,837
Infrastructure	-	-	-	-	37,664	37,664
Private Debt	-	17,094	-	-	-	17,094
	355,005	223,254	167,826	56,974	54,062	857,121

PF Note 14a - Analysis of Pooled Investment Vehicles (continued)

ACS - UK tax transparent collective investment scheme used by the LCIV.

Unit trust - an open-ended investment, where an unlimited number of investors can invest their money into a single fund, that's managed by a dedicated fund manager.

Unitised insurance policies - open-ended investments made available through life assurance companies.

OEIC - "Open-Ended Investment Company" that will issue (or redeem) shares on a regular basis in response to investor demand.

SICAV - "Société d'investissement à capital variable", similar to an OEIC but used in Europe.

PF Note 14b - Reconciliation of movements in investments

2022/23	Value 31 March 2022	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2023
	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles:					
- Equities	466,057	3,579	(1,346)	(26,327)	441,963
- Fixed Income	93,404	-	(20,015)	(22,858)	50,531
- Property	56,371	145	(221)	(6,583)	49,712
- Multi Asset Credit	86,694	2,713	(602)	(2,665)	86,140
- Diversified Growth Funds	99,837	1,776	(1,504)	(4,449)	95,660
- Infrastructure	37,664	19,474	(8,546)	7,216	55,808
- Private Debt	17,094	11,566	(2,872)	1,745	27,533
Sub-total Investments	857,121	39,253	(35,106)	(53,921)	807,347
Other Investment Balances:					
Cash deposits	385			97	43
Accrued income and recoverable taxes	(2)			-	71
Net Investment Assets	857,504			(53,823)	807,461

PF Note 14b - Reconciliation of movements in investments (continued)

2021/22	Value 31 March 2021	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2022
	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles:					
- Equities	487,462	127,850	(181,831)	32,576	466,057
- Fixed Income	87,910	61,455	(61,487)	5,526	93,404
- Property	49,365	-	(303)	7,309	56,371
- Multi Asset Credit	56,508	32,268	(432)	(1,650)	86,694
- Diversified Growth Funds	96,150	1,781	(1,076)	2,982	99,837
- Infrastructure	25,301	9,407	(2,692)	5,648	37,664
- Private Debt	-	16,277	(161)	978	17,094
Sub-total Investments	802,696	249,038	(247,982)	53,369	857,121
Other Investment Balances:					
Cash deposits	4,877			52	385
Accrued income and recoverable taxes	31			(2)	(2)
Net Investment Assets	807,604			53,419	857,504

PF Note 14c - Investments analysed by fund manager

The market value of the investment assets under the management of each fund manager as at 31 March 2023 is shown below.

31 March 2022			31 March 2023	
Market Value	% of total	Fund Manager	Market Value	% of total
£'000	%		£'000	%
Investments managed by London Collective Investment Vehicle				
47,948	5.6%	Pyrford - LCIV Global Total Return Fund	48,159	6.0%
51,889	6.1%	Baillie Gifford - LCIV Diversified Growth Fund	47,502	5.9%
103,823	12.1%	Newton - LCIV Global Equity Fund	104,074	12.9%
121,626	14.2%	RBC - LCIV Sustainable Equity Fund	112,319	13.9%
29,720	3.5%	CQS - LCIV Multi Asset Credit Fund	28,406	3.5%
17,094	1.9%	Pemberton & Churchill - LCIV Private Debt Fund	27,533	3.4%
-	0.0%	BlackRock, Stonepeak, Quinbrook, and Foresight - LCIV Renewable Infrastructure	19,920	2.5%
372,100	43.4%		387,913	48.1%
Investments managed outside of London Collective Investment Vehicle				
166,187	19.3%	Harding Loevner Funds Plc Global Equity Fund	151,894	18.8%
74,422	8.7%	Legal & General - Future World Global Equity Index Fund	73,675	9.1%
93,404	10.9%	Legal & General Over 5 Year Index Linked Gilts Fund	50,531	6.3%
56,974	6.6%	M&G Alpha Opportunities Fund	57,734	7.2%
13,596	1.6%	LaSalle Investors UK Real Estate Fund of Funds	11,417	1.4%
26,376	3.1%	BlackRock UK Property Fund	21,637	2.7%
16,398	1.9%	Invesco Real Estate UK Residential Fund SCSp	16,658	2.1%
37,664	4.4%	Partners Group Direct & Global 2015 S.C.A., SICAV-SIF & Global 2012 S.C.A., SICAR	35,888	4.3%
485,021	56.6%		419,434	51.9%
857,121	100.0%	Total	807,347	100.0%

PF Note 15 - Fair value – basis of valuation

The basis of the valuation of each class of investment asset is in accordance with the guidance contained in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). Asset and liability valuations are classified into three levels, according to the quality and reliability of information used to determine fair values. The investment assets of the Pension Fund are classed, as set out in the table below.

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. Cash and short term investment debtors and creditors are classified as level 1.

Level 2

Quoted prices are not available and valuation techniques use inputs that are based significantly on observable market data. Investment assets classified at level 2 are those where quoted market prices are not available; for example, where an investment is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

At least one input that could have a significant effect on valuation is not based on observable market data. Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data, and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity and infrastructure investments. Assurances over the valuations are gained from the independent audit of the accounts.

PF Note 15 - Fair Value - basis of valuation (continued)

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments - equities	Level 1	Recognised at market value	Not required	Not required
Market quoted investments - pooled equities and bonds	Level 1	Published bid market price on final day of the accounting period	Not required	Not required
Pooled investments - equities and bonds	Level 2	Closing bid price where bid price published. Closing single price where single price published	NAV based pricing set on a forward pricing basis. Evaluated price feeds	Not required
Pooled property investments where regular trading does not take place	Level 3	Fair value as determined by independent valuers	NAV based pricing set on a forward pricing basis. Unobservable inputs include rental income and gross yield	Valuations of underlying properties could be affected by a range of variables, including changes to estimated rental growth, vacancy levels and construction costs
Pooled infrastructure investments	Level 3	EBITDA multiples, discounted cashflows, market comparable companies, replacement costs and adjusted net asset values	Discount factors, recent transaction prices, reported net asset values and fair value adjustments	Valuations could be affected by a range of variables, such as changes to expected cashflows, or the difference between audited and unaudited accounts
Pooled private debt investments	Level 3	Valued by underlying investment managers	NAV based pricing with many unobservable inputs	Valuations could be affected by a range of variables, such as the quality of underlying collateral, or varying liquidity

PF Note 15 - Fair Value - basis of valuation (continued)

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023 and 31 March 2022.

2022/23	Potential variation in fair value	Value at 31 March 2023	Potential value on increase	Potential value on decrease
	+/-	£'000	£'000	£'000
Pooled Investment Vehicles:				
- Property	10%	49,712	54,683	44,741
- Infrastructure	10%	55,808	61,388	50,227
- Private Debt	10%	27,533	30,287	24,780
Total		133,053	146,358	119,748

2021/22	Potential variation in fair value	Value at 31 March 2022	Potential value on increase	Potential value on decrease
	+/-	£'000	£'000	£'000
Pooled Investment Vehicles:				
- Property	10%	56,371	62,008	50,733
- Infrastructure	10%	37,664	41,430	33,897
- Private Debt	10%	17,094	18,803	15,384
Total		111,129	122,241	100,014

All movements in the assessed valuation range derive from changes in the net asset value of the underlying property, infrastructure, private debt and real estate assets. The range in potential movement of 10% is caused by how this value is measured.

PF Note 15a - Fair value hierarchy

31 March 2022					31 March 2023			
Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total		Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	Total
Level 1	Level 2	Level 3			Level 1	Level 2	Level 3	
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				Pooled Investment Vehicles:				
391,636	74,421		466,057	Equities	368,287	73,675		441,962
	93,404		93,404	Fixed Income		50,531		50,531
		56,371	56,371	Property			49,712	49,712
	86,694		86,694	Multi Asset Credit		86,140		86,140
	99,837		99,837	Diversified Growth Funds		95,660		95,660
		37,664	37,664	Infrastructure			55,808	55,808
		17,094	17,094	Private Debt			27,533	27,533
391,636	354,356	111,129	857,121	Financial Assets at fair value through profit and loss	368,287	306,006	133,053	807,347

PF Note 15b: Reconciliation of fair value measurements within Level 3

2022/23	Value 31 March 2022	Transfers into Level 3	Transfers out of Level 3	Purchases at Cost	Sales Proceeds	Change in Market Value	Value 31 March 2023
	£'000			£'000	£'000	£'000	£'000
Pooled Investment Vehicles:							
- Property	56,371	-	-	145	(221)	(6,583)	49,712
- Infrastructure	37,664	-	-	19,474	(8,546)	7,216	55,808
- Private Debt	17,094	-	-	11,566	(2,872)	1,745	27,533
Total	111,129	-	-	31,185	(11,639)	2,378	133,053

PF Note 16a - Classification of financial instruments

2021/22			2022/23		
Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets					
Pooled Investment Vehicles:					
466,057			441,963		
93,404			50,531		
56,371			49,712		
86,694			86,140		
99,837			95,660		
37,664			55,808		
17,094			27,533		
	13,554			18,279	
	2,045			2,932	
857,121	15,599	-	807,347	21,211	-
Long Term Assets					
	150			150	
857,121	15,749	-	807,347	21,361	-
Financial Liabilities					
-	-	(18,034)	-	-	(18,125)
-	-	(18,034)	-	-	(18,125)
857,121	15,749	(18,034)	807,347	21,361	(18,125)

PF Note 16b - Net gains and losses on financial instruments

2021/22		2022/23
£'000		£'000
	Financial Assets	
53,369	Designated at fair value through profit and loss	(53,921)
50	Designated at amortised cost	98
53,419		(53,823)

PF Note 17 - Nature and extent of risks arising from financial instruments

Key risks

The Pension Fund's activities expose it to a variety of financial risks:

- market risk – the possibility that financial loss might arise for the Pension Fund as a result of changes in such measures as interest rates and stock market movements.
- credit risk – the possibility that other parties might fail to pay amounts due to the Pension Fund.
- liquidity risk – the possibility that the Pension Fund might not have funds available to meet its commitments to make payments.

Overall Procedures for Managing Risk

The Pension Fund's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2013 and the associated regulations. These regulations set out permissible financial instruments, require the Administering Authority to maintain and invest on behalf of the Pension Fund in accordance with its investment principles, to take professional advice, to review investment performance and to operate a separate Pension

Fund bank account. Overall these procedures require the Administering Authority to manage Pension Fund risk by maintaining and investing in accordance with a:

- Investment Strategy Statement;
- Funding Strategy Statement;
- Statement of Governance Policy;
- Governance Compliance Statement.

The Pension Fund Investment Strategy is reviewed at least triennially following actuarial valuation by the Pension Fund Committee, who monitor investment performance and compliance quarterly, including the internal control arrangements of external fund managers and the custodian.

PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

a) Market risk

Market risk is the risk of loss from fluctuations in equity, bond and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of asset classes, geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmarking analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short, is unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund's Investment Strategy.

Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds, as an example. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. Had the market price of the Fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as shown in the table below.

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

Interest rate – risk sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets, but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances, but they will affect the interest income received on those balances.

Assets exposed to interest rate risk:

2022/23	Asset Values at 31 March 2023	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000
Cash	18,279	18,279	18,279
Fixed interest bonds	66,997	65,010	68,984
Variable rate bonds	19,143	18,594	19,692
Total	104,419	101,883	106,955

2022/23	Interest receivable 31 March 2023	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000
Cash	(110)	(111)	(109)
Fixed interest bonds	2,016	2,016	2,016
Variable rate bonds	696	791	776
Total	2,602	2,696	2,683

PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

2021/22	Asset Values at 31 March 2022	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000
Cash	13,554	13,554	13,554
Fixed interest bonds	51,790	50,438	53,142
Variable rate bonds	34,904	34,211	35,597
Total	100,248	98,203	102,293

2021/22	Interest receivable 31 March 2022	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000
Cash	5	5	5
Fixed interest bonds	1,274	1,274	1,274
Variable rate bonds	994	1,033	1,013
Total	2,273	2,312	2,292

PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The Fund's currency rate risk is routinely monitored by the Council and its investment advisers in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency risk – sensitivity analysis

Following analysis of historical data, the council considers the likely volatility associated with foreign exchange rate movements to be 10%. This analysis assumes that all other variables, in particular interest rates, remain constant.

The following table summarises the Fund's currency exposure as at 31 March 2023, along with the impact that a 10% strengthening / weakening of the pound against the various currencies in which the Fund holds investments would have on the values.

The value on increase and value on decrease for an individual currency exposure is calculated with reference to that currency's volatility, relative to GBP, over the three years to March 2023. Given that currency changes are not necessarily correlated it is not appropriate to sum the outputs from each currency. In calculating the increase and decrease at a total fund level, it is necessary to establish the change in value of the aggregate of currencies held. It is this change that is applied to the overall currency exposure.

Value as at 31/03/2022	Value on 9.8% price increase	Value on 9.8% price decrease	Currency Exposure - Asset Type	Value as at 31/03/2023	Value on 10% price increase	Value on 10% price decrease
£'000	£'000	£'000		£'000	£'000	£'000
445,900	489,599	402,202	Overseas equities	427,474	470,221	384,727
13,596	14,929	12,264	Overseas property	11,417	12,559	10,275
68,868	75,617	62,119	Overseas multi asset credit	72,508	79,759	65,257
62,914	69,079	56,748	Overseas diversified growth funds	61,877	68,064	55,689
37,664	41,355	33,973	Overseas infrastructure	43,416	47,757	39,074
14,786	16,235	13,337	Overseas private debt	24,786	27,264	22,307
643,728	706,814	580,643	Total assets available to pay benefits	641,478	705,624	577,329

PF Note 17 - Nature and extent of risks arising from financial instruments (continued)

Other Price Risk -Sensitivity Analysis

Value as at 31/03/2022	Change +/-	Value on increase	Value on decrease	Asset Type	Value as at 31/03/2023	Change +/-	Value on increase	Value on decrease
£'000	%	£'000	£'000		£'000	%	£'000	£'000
466,057	18.0	549,947	382,167	Equities	441,963	18.1	521,958	361,967
93,404	7.6	100,503	86,305	Fixed income	50,531	9.6	55,382	45,680
56,371	15.1	64,883	47,859	Property	49,712	14.1	56,721	42,702
86,694	9.6	95,017	78,371	Multi Asset Credit	86,140	10.9	95,529	76,750
99,837	10.3	110,120	89,554	Diversified Growth Funds	95,660	10.2	105,418	85,903
37,664	15.1	43,351	31,977	Infrastructure	55,808	15.4	64,402	47,213
17,094	10.6	18,906	15,282	Private Debt	27,533	11.5	30,700	24,367
857,121		982,727	731,515	Total	807,347		930,110	684,582

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. The Pension Fund has selected bond managers who have an investment strategy

that requires investment only in high investment grade and collateralised products and who use research and market knowledge to minimise exposure to credit risk. The Pension Fund uses a custodian to ensure that all money due is paid in full and on time. Internally invested cash is placed in an interest bearing account with the Council's bankers.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. This will particularly be the case to meet the pensioner

payroll costs and also cash to meet investment commitments. The Pension Fund currently remains cash flow positive with contributions exceeding payable pensions, though this is regularly monitored. The Council has immediate access to a proportion of its Pension Fund cash holdings, as these are held in an instant access interest bearing account maintained by Council officers. Surplus funds are invested externally with fund managers. In the event of a funding shortfall, the LGPS regulations permit the administering authority to borrow on behalf of the Pension Fund for up to 90 days. If required, funds can also be called back from investment managers to meet liabilities.

PF Note 18 - Funding arrangements

Actuarial position

Rates of contributions paid by the participating Employers during 2022/23 were based on the actuarial valuation carried out as at 31 March 2019 (the next valuation has been undertaken as at 31 March 2022 and is effective from 1 April 2023) by the Fund's actuary. The objectives of the Fund's funding strategy is:

- to ensure the long-term solvency of the Fund, so that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return;
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of three years. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2019 actuarial valuation, the fund was assessed as 90% funded (80% at the March 2016 valuation). This corresponded to a deficit of £71m (2016 valuation: £129m) at that time. Contribution increases will be phased in over the three-year period ending 31 March 2023 for both scheme employers and admitted bodies.

Contribution Rates

The majority of employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority. Their contribution rates are calculated taking account of the Fund's funding strategy as described in the Funding Strategy Statement, and for the majority of employers using the projected unit actuarial method.

The rates of contributions payable by each participating employer over the period 1 April 2020 to 31 March 2023 are set out in a certificate dated 31 March 2019, which is appended to the actuary's report on the actuarial valuation. For those bodies which have become separate employers within the Fund since the valuation date, their contribution rates have been calculated individually and certified by the Fund's actuary.

The total average contribution rate payable by employers consists of two elements; the primary rate and the secondary rate. The primary rate is the weighted average (by pensionable pay) of the individual employers' primary rates (after allowing for member contributions). The secondary rate is an adjustment to the primary rate, to arrive at the total rate each employer is required to pay, for example to allow for deficit recovery.

PF Note 18 - Funding arrangements (continued)

Average Contribution Rate	
Employer Future Service Rate (primary rate)	19.2%
Past service adjustment - 21 year spread (secondary rate)	6.6%
Total Average Employer Contribution Rate	25.8%

The following table shows a summary of the results of the 2019 valuation;

Past Service Position	31/03/2019
	£m
Past Service Liabilities	(732)
Market Value of Assets	661
Surplus (Deficit)	(71)
Funding Level	90%

The valuation was undertaken using principal assumptions as follows;

Financial Assumptions	31/03/2019
	Nominal
Discount Rate	4.7%
Salary Increases	3.6%
Pension Increases	2.6%

Assumed life expectancies at age 65 is as follows;

Demographic Assumptions	31/03/2019
Male pensioners	21.7
Male non-pensioners	23.1
Female pensioners	24.3
Female non-pensioners	25.8

PF Note 18 - Funding arrangements (continued)

Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

PF Note 19 - Actuarial present value of promised retirement benefits

CIPFA's Code of Practice requires the disclosure for the year ending 31 March 2023, of the actuarial valuation of promised retirement benefits as set out in IAS26, and that the actuarial present value should be calculated on an IAS 19 basis.

IAS26 is the accounting standard that sets out the requirements for accounting and reporting in respect of retirement and the requirements for accounting and reporting of promised retirement benefit plans following the move to financial reporting of the Pension Fund Accounts under the International Financial Reporting Standards (IFRS).

31 March 2022		31 March 2023
£'m		£'m
(1,257)	Actuarial present value of promised retirement benefits	(904)
855	Net fund assets available to fund benefits	811
(402)	Net Liability	(93)

The promised retirement benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019.

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2023 and 31 March 2022, as shown in the table below.

PF Note 19 - Actuarial present value of promised retirement benefits (continued)

2021/22		2022/23
%		%
3.2	Pension increase rate (CPI)	3.0
4.2	Salary increase rate	3.0
2.7	Discount rate	4.8

PF Note 20 - Current assets

31 March 2022		31 March 2023
£'000		£'000
1,587	Contributions	2,565
458	Other debtors	367
13,171	Cash at Bank	18,165
15,216	Total Current Assets	21,097

PF Note 21 - Current liabilities

31 March 2022		31 March 2023
£'000		£'000
(15,450)	Transfers out	(14,560)
(1,270)	Other Creditors	(1,927)
(1,314)	Current payables	(1,638)
(18,034)	Total Current Liabilities	(18,125)

PF Note 22 - Additional voluntary contributions

A number of active Fund members have elected to pay additional voluntary contributions (AVCs) to increase their personal benefits. Regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires that these are not paid into the Pension Fund.

The Council's approved AVC providers are Clerical Medical and Utmost (formerly Equitable Life). These are money purchase arrangements reported annually on 31st May. Total contributions paid by members in Clerical Medical during 2022/23 were £___k (£119k in 2021/22), as below. There are no active contributors with Utmost.

31 May 2022	31 May 2023
£'000	£'000
119	Clerical Medical
119	-

At 31 May 2023, the total estimated value of the AVC funds with Clerical Medical and Utmost was £___k (£796k at 31 May 2022).

PF Note 23 - Related party transactions

The Council is a related party to the Fund and in accordance with the regulations the Council's expenses in administering the Scheme are charged to the Fund. The amount charged by the Council for 2022/23 was £1,062,692 (£920,851 in 2021/22)

Four of the Councillors voting on the Pension Committee are members of the Pension Fund.

The key management personnel for the Pension Fund are the members of the Pension Fund Committee, the Strategic Director - Resources (S151 Officer), the Head of Pensions Investments and the Head of Pensions Administration. Their remuneration is set out below:

PF Note 23 - Related party transactions (continued)

31 March 2022		31 March 2023	
£'000		£'000	
98	Short-term benefits	102	
214	Post-employment benefits	139	
312		241	

PF Note 24 - Contingent liabilities and contingent assets

There are no known material contingent assets as at 31 March 2023. There are no outstanding contractual commitments and no material relating non-adjusting events occurring subsequent to the period end.

10. Annual Governance Statement 2022/23

This provides assurances on the Council's governance framework, that comprises the systems, processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community.

The Annual Governance Statement is published alongside but does not form part of the Accounts and so is not subject to the same inspection of accounts regime.



11. Glossary of Terms

An explanation of financial terms and abbreviations used in the Statement of Accounts



Glossary of Terms

Accounting Policies

The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

Accruals

Amounts that are charged to the accounts for goods and services rendered/received during the year for which payments have not been received/made.

Active Member

A member of an occupational pension scheme who is building up pensions benefits, in either a defined benefit or a defined contribution scheme, from their current job.

Actuarial Valuation

Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates.

Actuary

An independent consultant who advises on the financial position of the pension fund.

Admitted Body

A body which can be admitted to the LGPS with the agreement of the Administering Authority, it must be non-profit-making and will normally be in receipt of a grant from either central or local government.

Amortisation

A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

Appropriations

The transfer of resources to and from various revenue reserves.

Capital Expenditure

Expenditure on the acquisition of a non-current asset or expenditure that adds value to an existing non-current asset. Expenditure can only be treated as 'capital' if it meets statutory definitions and is in accordance with accounting practice and regulations.

Capital Receipts

Income from the sale of capital assets such as council dwellings, land and buildings.

Carrying Amount

This is the nominal value of the loan / investment plus accrued interest due to the end of the financial year.

Council Tax

A tax on domestic properties, introduced 1 April 1993 as a replacement for the Community Charge (Poll Tax), based on their value.

Creditors

Amount of money owed by the Council for goods or services received.

Debtors

Amount of money owed to the Council for goods or services received.

Depreciation

A measure of the cost of the economic benefits of a non-current asset consumed during the period.

Earmarked Reserves

Amount set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Effective Interest Rate

This method calculates the rate of interest that is necessary to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument to equal the amount at initial recognition.

General Fund

The fund within which most transactions of a local authority take place. It includes the cost of all services provided (excluding the Housing Revenue Account) which are paid from government grants, generated income and the borough's share of Council Tax and business rate income.

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future; in particular, that the revenue accounts and balance sheet are not based on the assumption of an intention to curtail significantly the scale of operations.

Housing Revenue Account (HRA)

A local authority statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

Glossary of Terms (continued)

Impairment

A reduction in the value of a non-current asset below its carrying value (but not through economic consumption).

Intangible Assets

Assets that do not have physical substance, e.g. computer software licences.

Levies

Payments to London wide bodies such as the Lee Valley Regional Park Authority. The cost of these bodies is borne by local authorities in the area concerned based on their Council Tax base and is met from the General Fund

Minimum Revenue Provision

The minimum amount that the council must charge to the revenue account to provide for the repayment of debt due to capital expenditure. The minimum provision is currently based on the asset life (annuity) method and is applied to both 'supported' and 'unsupported' borrowing. This results in more even payments linked to average asset life. The average lives of the council's assets funded by 'supported' and 'unsupported' borrowing are within the recommended 50 years

Non-Domestic Rates (NDR)

Business rates, or non-domestic rates, collected by councils are the way that those who are responsible for non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced from 1 April 2013, authorities keep a proportion of the business rates paid locally.

Precept

The charge made by one authority (e.g. The Greater London Authority) on another authority to finance its net expenditure.

Property, plant and equipment

Tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Provisions

Amounts set aside for liabilities or losses which are certain or very likely to be incurred but where exact amounts and dates on which these will arise are uncertain.

Reserves

Amounts set aside in one financial year which can be carried forward to meet expenditure in future years. Earmarked reserves are allocated for specific purposes. Unallocated reserves are often described as balances.

Revenue Expenditure

The regular day-to-day running costs an authority incurs in providing services e.g. salaries and wages, premises costs and supplies and services.

Support Services

Services that are provided by the administrative and professional service groups that support all the Council's services. They include financial, legal, personnel, information technology, property and general administrative support.

Glossary of Terms (continued)

Abbreviations used in the accounts

ALMO	Arms Length Management Organisation	DLUHC	Department for Levelling Up, Housing and Communities
AVC	Additional Voluntary Contribution	MIRS	Movement in Reserves statement
CCG	Clinical Commissioning Group	MRA	Major Repairs Allowance
CF	Collection Fund	MRP	Minimum Revenue Provision
CIES	Consolidated Income and Expenditure Statement	NNDR	National Non Domestic Rates (Business Rates)
CIPFA	Chartered Institute of Public Finance and Accountancy	PWLB	Public Works Loan Board
CT	Council Tax	REFCUS	Revenue Expenditure Funded From Capital Under Statute
DLUHC	Department for Levelling Up, Housing and Communities	RICS	Royal Institution of Chartered Surveyors
DfE	Department for Education	RCCO	Revenue Contribution to Capital Outlay
DSG	Dedicated Schools Grant	SHP	Sutton Housing Partnership
FTE	Full Time Equivalent	TFL	Transport for London
GLA	Greater London Authority	TPA	Teachers' Pension Agency
HRA	Housing Revenue Account	UCR	Usable Capital Receipts
IAS	International Accounting Standard		
I&E	Income and Expenditure		
IFRS	International Financial Reporting Standard		
IT	Information Technology		
LASAAC	Local Authority (Scotland) Accounts Advisory Committee		
LATC	Local Authority Trading Company		
LOBO	"Lenders Option Borrowers Option" Loan		